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REVENUE SOURCES
FOR
TRANSIT SUPPORT

*Metropolitan transportation
Transportation*

*{ San Francisco bay area
U.S.*

TRANSPORTATION FINANCE TASK FORCE
METROPOLITAN TRANSPORTATION COMMISSION
BERKELEY, CALIFORNIA
JANUARY 12, 1976



Metropolitan Transportation Commission

February 1, 1976

Mr. John C. Beckett, Chairman
Metropolitan Transportation Commission
Hotel Claremont
Berkeley, CA 94705

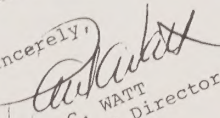
Dear Chairman Beckett:

I am pleased to forward the publication entitled "Revenue Sources for Transit Support," dated January 12, 1976. It is a summary of the technical staff report dated October 15, 1975, and contains recommendations for proposed legislation. These recommendations were reviewed and approved by the Plan Implementation and Legislation Committee of the Commission on January 12, 1976.

This report is the culmination of the work done by the Transit Finance Task Force, formed on March 12, 1974. The data used in the report were collected from a variety of sources by the Task Force. They were also used by the Bay Area Council in the preparation of their report entitled, "Financing Bay Area Transit" (September 1975), and by the State's Legislative Analyst in producing his recommendations on "Financing Public Transportation in the San Francisco Bay Area -- Three County BART District" (November 1975).

The current state of transit finance is of great concern to the operating agencies in the Bay Region, as well as to State and local governments. This publication will be given widespread distribution to publicize its findings and recommendations to the broadest possible audience. Response will be useful to the Commission in its work to define needed legislation to resolve the problems of transit finance.

Sincerely,


PAUL C. WATT
Executive Director

PCW:kd

METROPOLITAN TRANSPORTATION COMMISSION

The Metropolitan Transportation Commission is the regional transportation planning agency for the nine-county San Francisco Bay Area. The Commission consists of 16 voting members and three non-voting members. Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara Counties are each represented by two commissioners. Marin, Napa, Solano, and Sonoma Counties are each represented by a single commissioner. MTC commissioners are appointed by the cities and boards of supervisors within each county. The Commission also includes voting members who represent the region's land-use planning organization, the Association of Bay Area Governments, and the Bay Conservation and Development Commission. The California Department of Transportation (CalTrans), the U.S. Department of Transportation (DOT), and the U.S. Department of Housing and Urban Development (HUD) are represented by non-voting members. Planning activities of the Commission are conducted by a staff under the direction of an Executive Director.

Created by the Legislature in 1970, the Commission was charged with developing a Regional Transportation Plan (RTP) which could serve as a guide for transportation development in the Region. The Plan examines both highway and transit needs and the related impacts of transportation including social, environmental and economic factors. The RTP is a tool used by MTC to review all applications for state and federal transportation funding in the Bay Area as well.

One of the major problems currently facing the Region and the nation is the scarcity of monies available to provide for the development and operation of a balanced transportation system. The MTC enabling legislation specifically instructs the Commission to seek new funding sources for the Region's transportation system. **Revenue Sources For Transit Support** seeks to respond to this mandate in the most critical area of all: financing public transit improvement. This report is therefore one of several ways in which the Metropolitan Transportation Commission is seeking to improve transportation for citizens throughout the San Francisco Bay Area.

Commissioners

John C. Beckett, Chairman
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Robert A. Burco

John D. Crowley
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William H. Royer
James Self

Paul C. Watt, Executive Director

Representing

Santa Clara County
Alameda County
State Business and
Transportation Agency
San Francisco Mayor
Solano County
San Francisco City and County
Alameda County - Cities
U.S. Department of Transportation
and Federal Highway Admin.
Napa County
Marin County
Association of Bay Area Governments
San Francisco Bay Conservation
and Development Commission
Contra Costa County - Cities
San Mateo County - Cities
Sonoma County
Contra Costa County
San Mateo County
Santa Clara County - Cities

TRANSPORTATION FINANCE TASK FORCE

Project Director: Robert A. Olson, Assistant Director, MTC

MTC Project Staff: Richard Carll, Assistant Director
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Irving Besser, Financial Analyst/Auditor
Robin Kirby, Transportation Planner
Lee Knight, Transportation Planner/Analyst
James MacDougall, Legislative Affairs Analyst

Transit Operator Representative: John Madden, S.F. Muni

CalTrans Representative: Cecil Smith, District 04

Consultants: LeBlanc & Company
Daniel J. O'Donoghue, Principal-In-Charge

BAY AREA REVENUE NEEDS FOR TRANSIT SUPPORT

INTRODUCTION:

This document contains a summary of major findings on transit needs and potential financial resources to meet those needs over the next 10 years (1975-76 to 1984-85). It also presents possible combinations of financial sources **for discussion purposes only**. The combinations of sources or alternative financial scenarios which have been displayed below imply a wide range of regional policy implications. No one scenario has been recommended here nor have they been fully discussed by MTC. This summary is necessarily brief and the reader is invited to examine the full task force report for further clarification.

STUDY PURPOSE:

This report has been created primarily to support the development of **legislative** proposals for sufficient revenues to increase the level of public investment in transportation services.

RELATED GOALS:

The desire for increased or continued public transit investment relates to many adopted regional goals including:

- Balanced transportation
- Reduced auto dependence
- Increased mobility
- Conservation of resources
- Environmental preservation

STUDY OUTLINE:

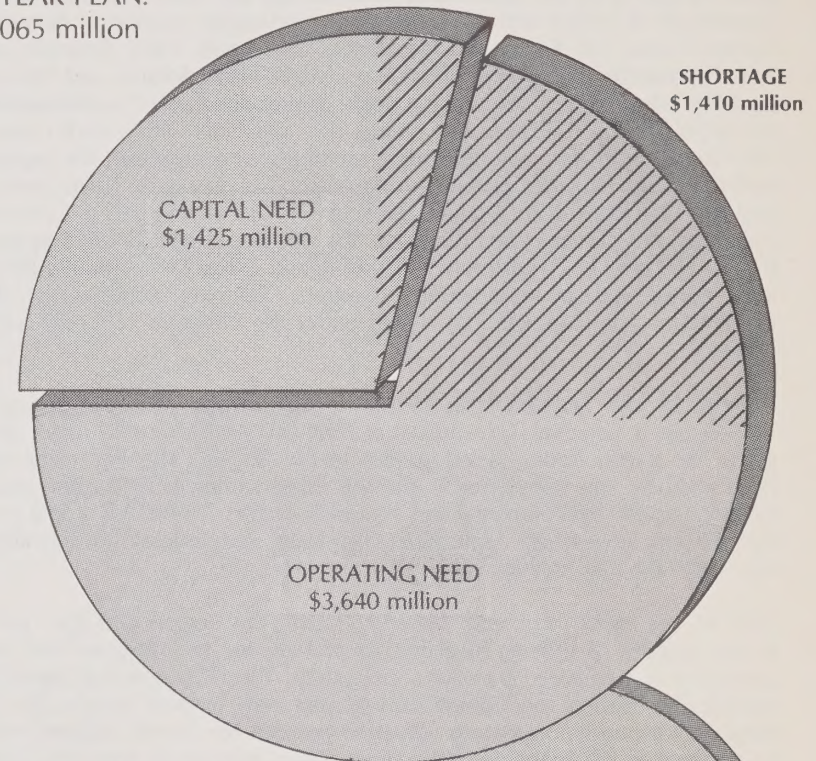
The report contains the following major parts:

- Review of transportation needs
- Analysis of existing financial resources
- Selection and evaluation of new or expanded financial resources
- Integration or raising of other related issues

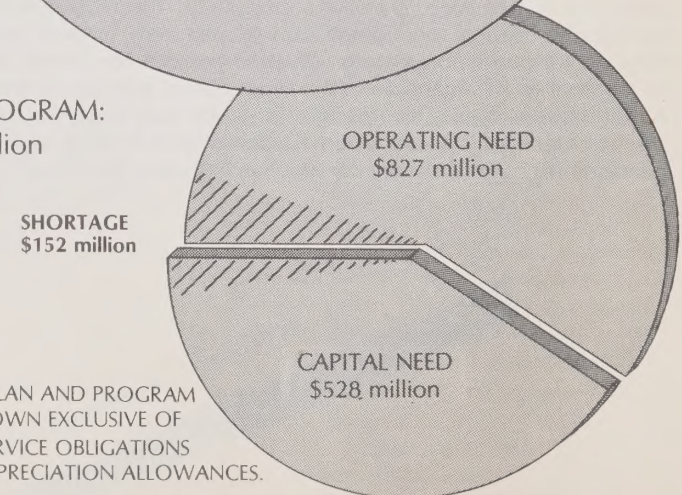
NEED:

The accompanying chart displays the budgeted 3 year **program** and 10-year **plan** of expenditures for transit in the Bay Area. Section IV of MTC's Regional Transportation Plan (RTP) describes project proposals comprising these financial needs. The RTP and its 10-year program of projects is subject to annual revision by MTC.

10 YEAR PLAN: \$5,065 million



3 YEAR PROGRAM: \$1,355 million



NOTE: BOTH PLAN AND PROGRAM ARE SHOWN EXCLUSIVE OF DEBT SERVICE OBLIGATIONS AND DEPRECIATION ALLOWANCES.

REGIONAL PROGRAM FUNDING BY SOURCE

PRIMARY SOURCES:

Existing support for highways and transit comes from:

- Property taxes
- Sales taxes
- Fuel taxes
- Vehicle charges
- Fares and tolls

Most new revenue will apparently require an expansion of these sources.

EVALUATION CRITERIA:

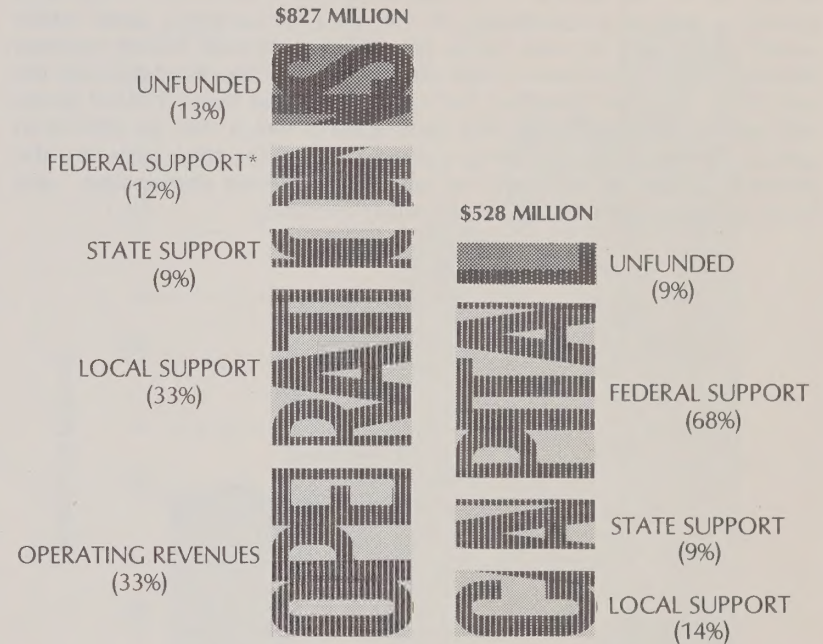
New and existing sources were evaluated according to the following criteria:

- Equitability
- Revenue productivity
- Economic responsiveness
- Transportation-relatedness
- Planning goals-relatedness
- Administrative suitability
- Political viability

SOURCE DISTRIBUTION:

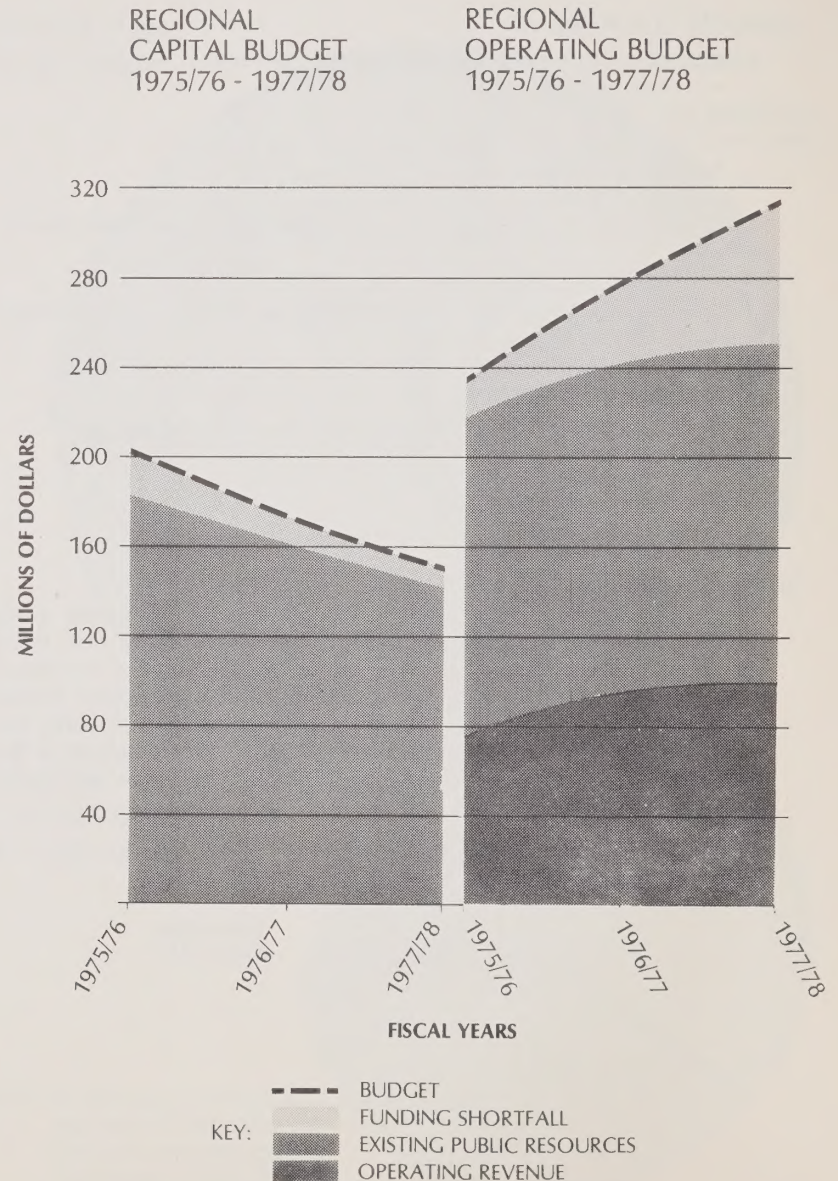
The accompanying chart displays the distribution of **transit** funds according to federal, state and local categories over the next three fiscal years, plus operating revenues and the expected unfunded amounts for both operating and capital needs. State support shown includes TDA sales tax revenues which are really a local resource but state-collected. The only state source for public transit support is the recently amended State Constitutional Article XXVI. (See per capita support estimates which follow.)

EXISTING RESOURCES: FY 1975-76 to 1977-78



THE CRISIS IN PUBLIC TRANSIT FINANCE

The two charts to the right depict the level of transit operating and capital budgets for the three fiscal years 1975-76 through 1977-78. Whereas the funding shortfall in the capital budget is expected to decline gradually over the next three years, the opposite trend is observed for operating expenses in the region. The decline in the capital budget is a function of the time period as well as a recognition of the need for operating funds which usually accompany any new capital expenditures. Increased federal revenues beyond present expectations could alleviate some of the shortfall during the next three years or thereafter, but cannot be relied upon. Federal grants will require matching funds from local sources which may be difficult to obtain, particularly for operating expenses. Unless the state steps into the financial picture to an extent far beyond its present participation, only local or regional sources will be potentially available.



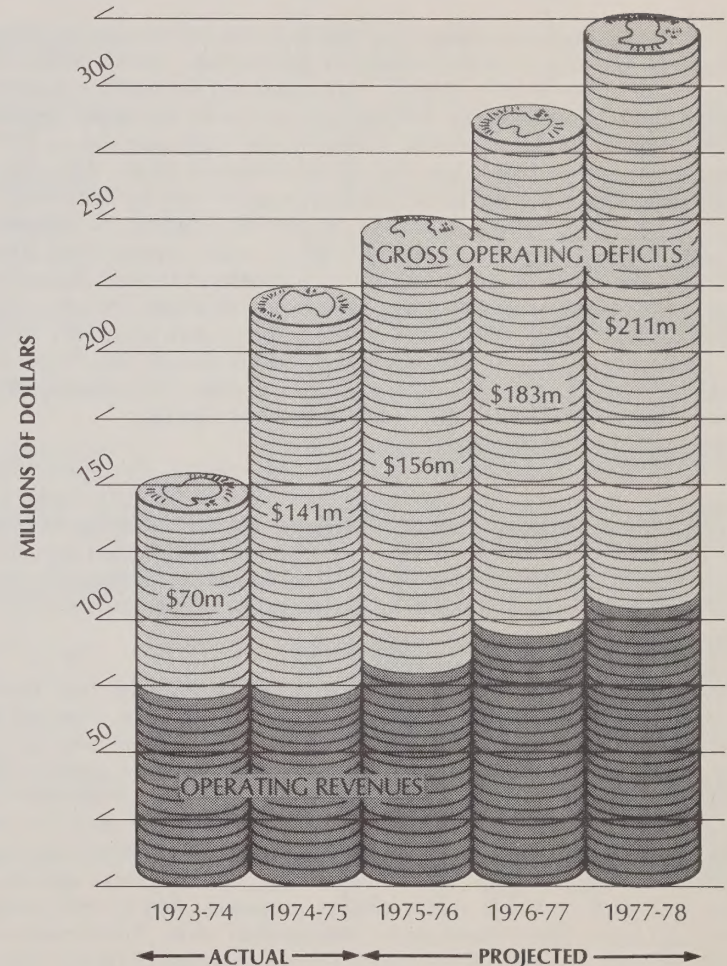
FARE REVENUE SUPPORT FOR TRANSIT

Revenues derived from operations will continue to provide roughly one-third of transit operating budget needs into the second half of the decade. Despite major service improvements and increasing patronage, gross operating deficits will rise sharply as shown on the accompanying chart. The "appropriate" balance between user revenues (fares) and public taxes and other charges will be determined by the transit agencies, other governmental levels, and the public. However, it is apparent that **the status quo fare policy** underlying these estimates **will have a substantial effect on State and local legislation needed to provide financial support for transit.**

If fares are increased, a number of contradictory impacts can occur, depending on who uses transit and to what extent higher fares reflect improved service, plus alternative costs of competing modes. Clearly those who pay fares and use transit benefit more so than general taxpayers, and yet the ability to pay is not recognized in the fare structure. Even assuming little or no negative reaction on the part of transit users to higher fares, the revenue productivity of this source for reasonable rate increases is low. Higher fares would generally be counter-productive in terms of planning goals aimed at securing a larger proportion of total trips on public transit. However, premium fares may be appropriate for special or high quality services, especially where other transit alternatives are available at lower cost. Another possibility for additional operations-related revenues is to provide state subsidies for special fares; for instance, student or elderly discount fares.

In terms of longer range planning for transit financial support, the fact cannot be ignored that many legislators and their constituents believe that users of transit services should pay a larger share of total costs, if not the full cost of those services. A fare policy which in some way adjusts the rising costs to users in proportion to total cost of the service could be instrumental in securing political support for other public resources in the amounts that will be needed.

GROSS OPERATING DEFICITS
1973-74 to 1977-78



FEDERAL SUPPORT FOR TRANSIT

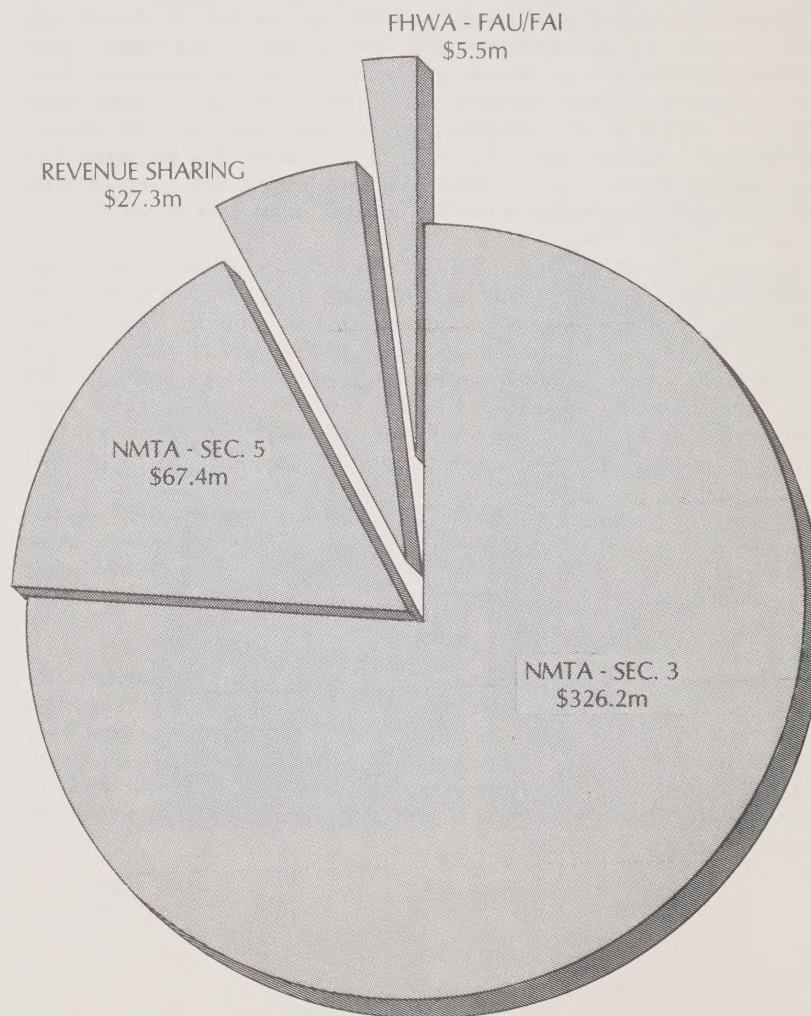
Total federal funding for public transit in the Bay Area over the next three years will exceed \$425 million, or nearly one-third of the total operating and capital expenditures programmed for transit in the Region. The accompanying pie chart illustrates that over 90% of this total amount will derive from **National Mass Transportation Assistance Act (NMTA)** grants.

As may be seen, NMTA Sec. 3 grants, or **capital** grants, will account for over three-quarters of total federal funding in themselves. These amounts represent major investments in property and equipment for transit operators throughout the region. The bulk of funds will accrue to the largest transit operators where major improvement programs are under way. Up to 80% of project costs are paid from this one source of federal funds. Allocation is at the discretion of the Secretary of Transportation, with no State limits, and is done on a project-by-project basis. NMTA Sec. 5 grants, or **optional** grants, provide resources on a formula basis to each metropolitan area (over 50,000 population as defined by the U.S. Bureau of Census) including four within the nine-county Bay Area. Grants are allocated annually and may be applied to either capital improvements (up to 80% of project cost) or operations subsidy (up to 50% of gross operating deficit). Sec. 5 grants have been available for only two fiscal years, but to date the great majority of money from this source has flowed into operations subsidy.

Revenue sharing funds are distributed to cities and counties throughout the Bay Area on a formula basis contingent upon national program budgets. The only local government presently committing significant revenue sharing grants to transit support is San Francisco. Approximately \$9 million annually is diverted to support operations of the San Francisco Muni. Additionally, the City of Santa Rosa uses a portion of its revenue sharing funds to help finance its municipal transit system.

The Federal Aid Highway Act of 1973 made certain highway trust fund programs accessible to transit financial diversion for the first time ever. Given agreement between State and local officials, federal funds previously programmed for expenditure on an urban highway project or a segment of the interstate system (requires separate federal approval) may be diverted to a mutually agreed upon transit capital project. To date, the diversion of funds to transit projects has not been significant, due both to a large ongoing highway improvement program supported by most state and local agencies, and due to a lack of viable transit project proposals able to effectively use this resource. (The Washington Metropolitan Area Transportation Authority recently diverted \$286.5 million from withdrawal of certain interstate segments.)

FEDERAL SUPPORT FOR BAY AREA TRANSIT 1975-76 to 1977-78



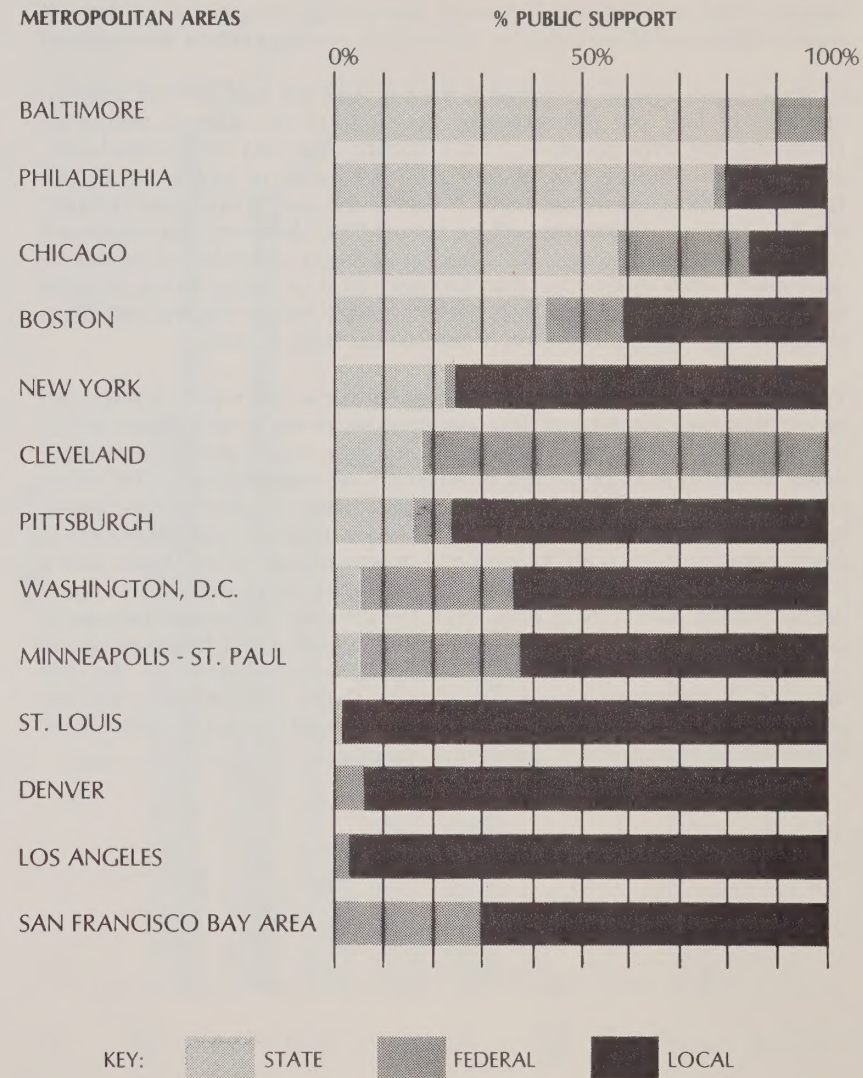
3 YEAR TOTAL: \$426.4 MILLION

STATE SUPPORT FOR TRANSIT

The accompanying chart depicts the comparative level of public support for transit in major U.S. metropolitan areas for the 1973-74 fiscal year. While one-year comparisons are risky, the overall conclusion with respect to California urban areas would still be little or no state support. (It should also be noted that definitions of state support probably vary widely among the regions outside California, and what is termed state support may primarily be locally generated funds collected by the states and returned to the urban areas.) Although the levels of state support achieved by Baltimore, Philadelphia and Chicago are certainly beyond most expectations, a relatively minor increase in California would be extremely welcome given the present crisis in regional transit finance.

State support should probably be in the form of **dedicated** sources for special purpose transit programs and/or possibly state revenue sharing grants similar to the Federal programs. Dedicated support should rely on some vehicle-related revenue mechanism whereas revenue sharing grants could be drawn from such broad-based sources as the personal income tax, the corporate franchise and income tax, and some excise taxes. The question of how such state revenue grants should be collected and, more importantly, allocated is beyond the scope of this report. Obviously, rural areas will raise objections and, because there will never be enough funds, priorities in the urban areas will have to be developed concerning need, local effort and relative operator efficiencies.

RELATIVE STATE SUPPORT FOR TRANSIT FINANCING IN THE U.S. (1973-74)



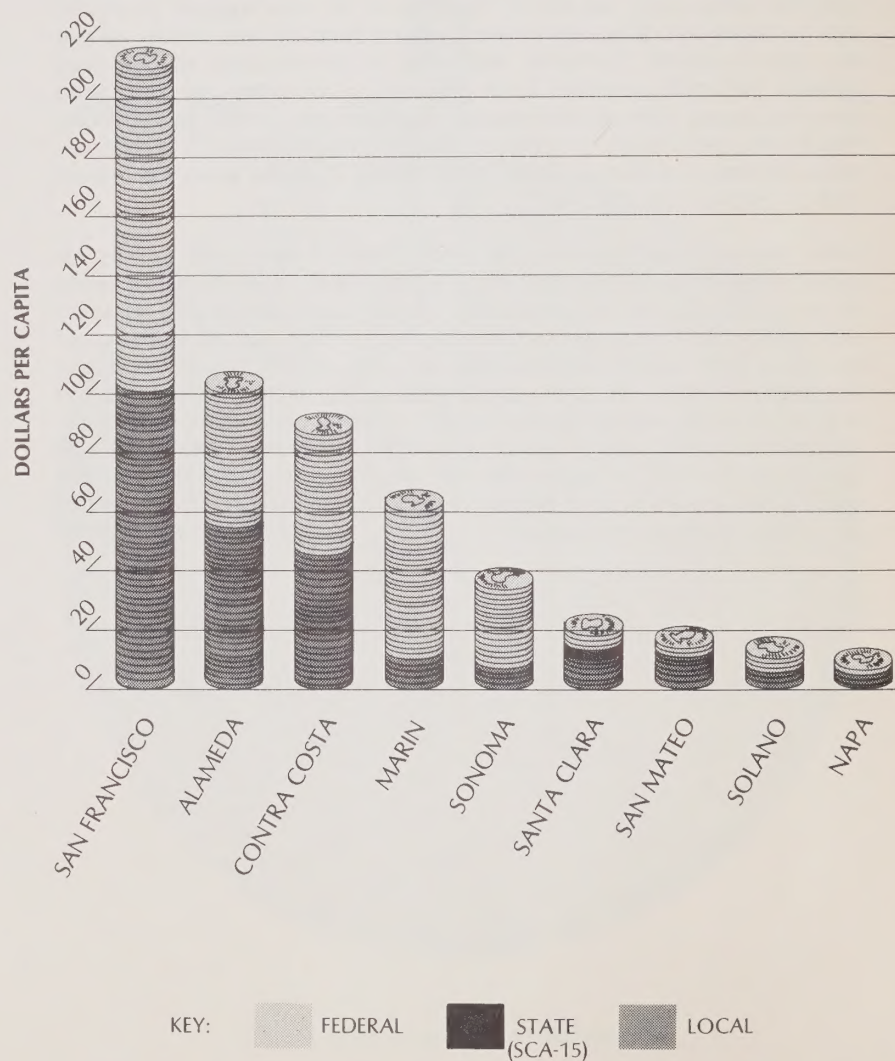
LOCAL SUPPORT FOR TRANSIT

Per capita transit support in 1975-76 reflects previous years in its wide disparity of effort by county, and the singular absence of dedicated state support. (The accompanying chart is drawn from Chapter 4 of the full report which should be read for explanation and supporting assumption.)

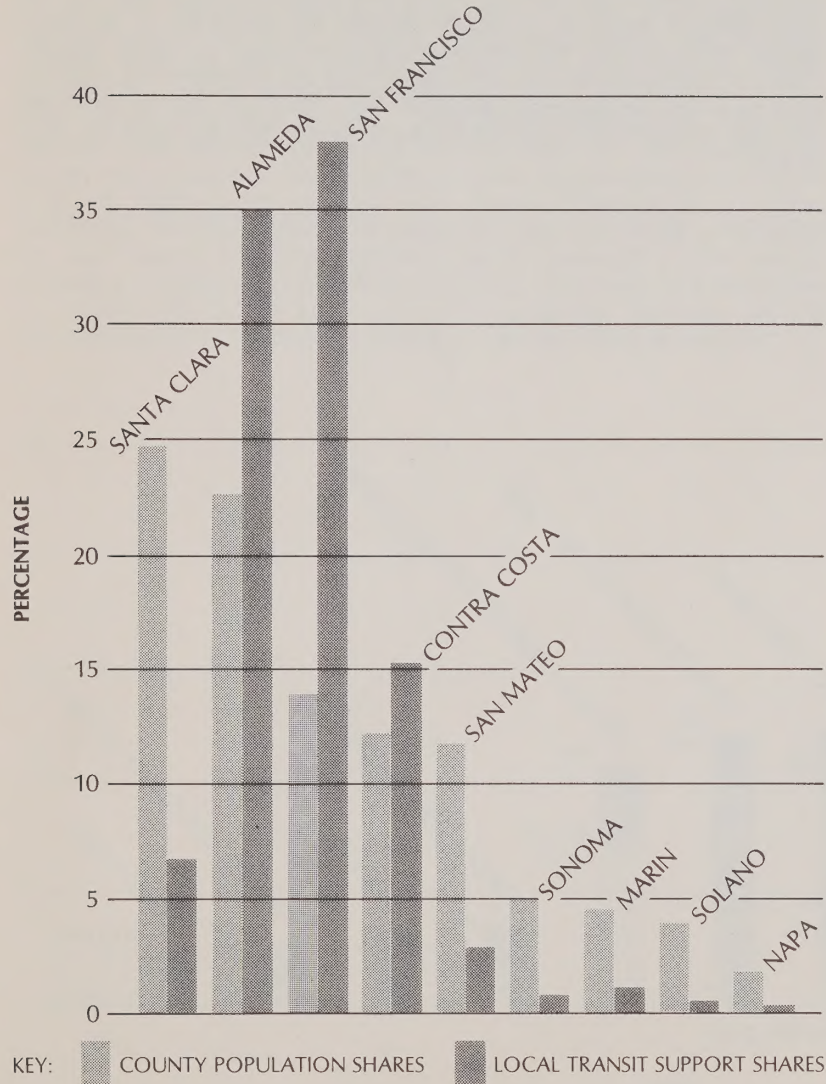
Local per capita support for transit in the Bay Area will be \$36.59 in 1975-76, exclusive of fare and toll revenues, but most of this support should be credited to the three counties of San Francisco, Alameda and Contra Costa. San Francisco residents pay almost \$100 per capita, of which almost \$66 comes from the property tax alone. If federal and state support are included, the Bay Area per capita rate will be almost \$73. However, San Francisco's total transit support exceeds \$211 per capita. Napa and Solano Counties by comparison each expend less than \$10 per capita on public transit. Support in Santa Clara and San Mateo is even relatively lower, but this condition should change before expiration of the 10-year study period.

Whenever possible, all the data developed in the full report is displayed on a county-by-county basis. This was done so as not to lose awareness of the potentially wide disparity among the nine Bay Area counties - particularly when information is presented in summary or regional form. The urban counties presently contain the greatest transit need and generally the largest tax bases. Among the urban counties, however, there are still differences in need, population, income, existing and potential support for transit, and a host of other factors. The differences in per capita transit support by county are substantial. When these differences are compared to relative population or employment, disparities again occur (see opposite page). This exercise can be repeated according to relative tax bases, incomes, and the like, but not all such comparisons are included here. They can be found in the text and will certainly be part of the final recommended solutions - even if only expressed implicitly through the political process.

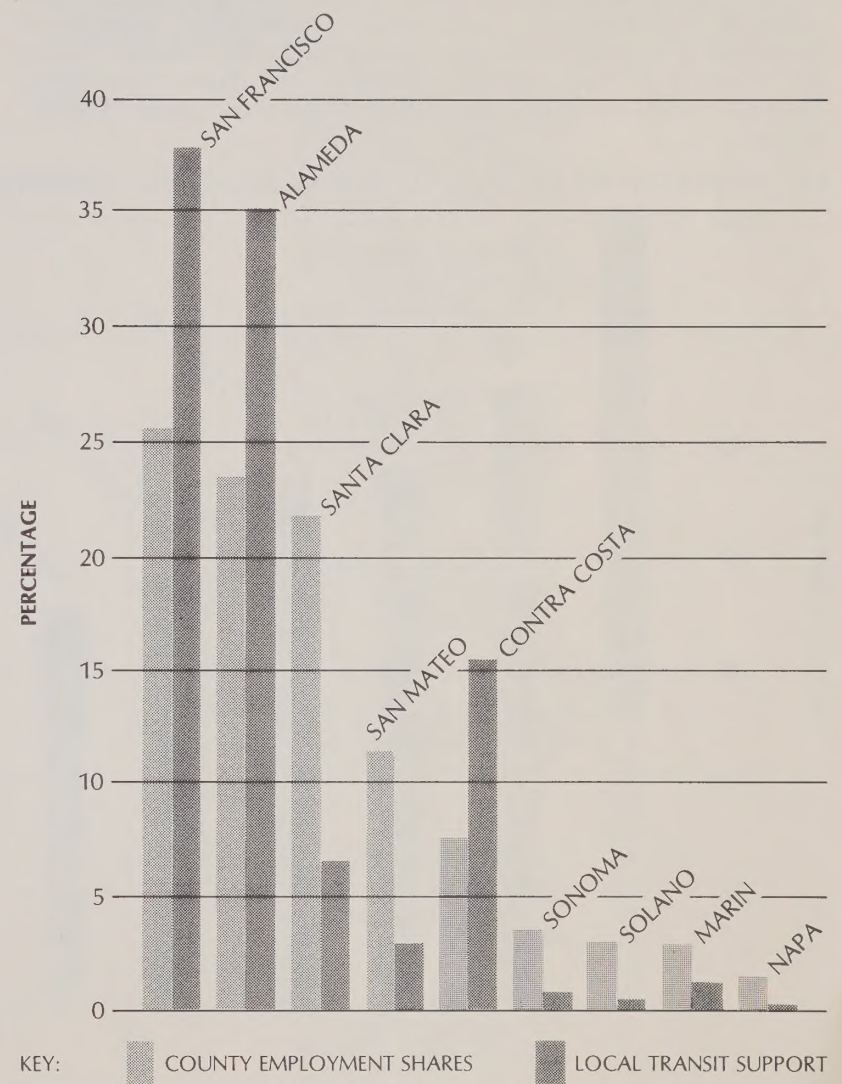
PER CAPITA SUPPORT BY COUNTY 1975-76



COUNTY POPULATION SHARES VERSUS
LOCAL TRANSIT SUPPORT SHARES



COUNTY EMPLOYMENT SHARES VERSUS
LOCAL TRANSIT SUPPORT SHARES

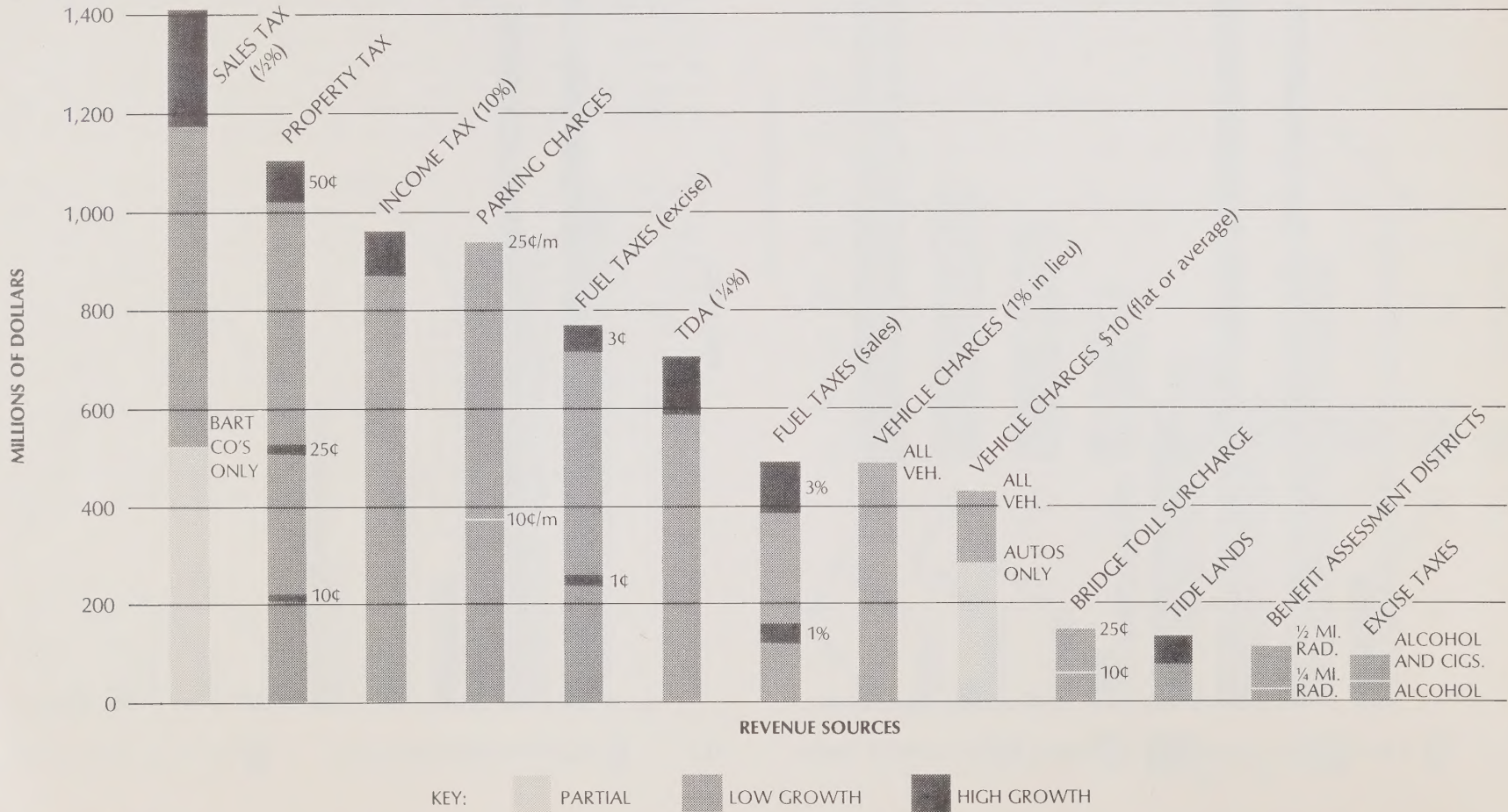


MAJOR NEW REVENUE SOURCE ALTERNATIVES

Revenue productivity was not the major standard for evaluating new sources, but was one of seven which were used in the ranking process. Because of the extent of the potential transit need, however, revenue generation under reasonable assumptions of possible tax increases has always been a critical consideration. The accompanying chart depicts the relative 10-year productivity of the major sources examined in this report. (Assumptions about past trends and growth rates are contained in the "Source Analysis" section.)

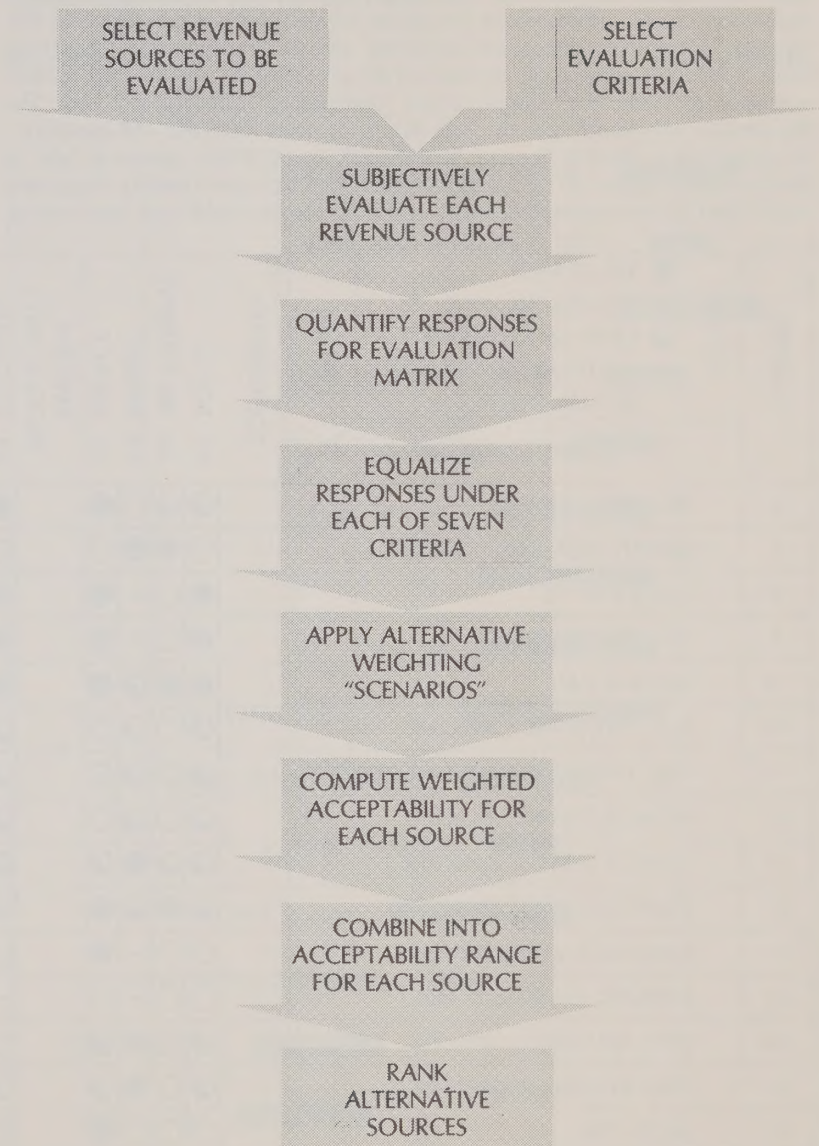
A ½% sales tax increase in the nine counties just exceeds the expected \$1.4 billion need over the 10-year period. A 50 cents per \$100 of assessed valuation property tax increase in the nine counties would also be very productive, as would a 10 percent income tax surcharge or equivalent amount of income tax revenues returned to the region for transit support. Again, it is emphasized that the sources and the suggested tax rates are presented here **for discussion purposes only**. Many will also be combined in suggested policy scenarios which are presented for discussion on pages 16 and 17.

BAY AREA REVENUE SOURCES 10 YEAR PRODUCTIVITY ESTIMATES



EVALUATION PROCESS

The evaluation process, or an approach to an analytical method for decision-making in public transportation financing policy, is an important focus of this report. The specific evaluation process developed in this study is just one analytical process out of many capable of relating each revenue source to a set of accepted measurement criteria. The nine step process illustrated in the adjacent diagram was used to derive relative acceptability rankings for those sources examined by the project task force. After research into other processes, the evaluation criteria were deliberately selected from decision parameters developed by the State due to the almost total reliance on State legislative initiatives embodied in the revenue proposals. (Many of the so-called local sources will require State enabling legislation.) The final product of this effort is a range of relative acceptability for each source, reflecting alternative weights attached to each criteria according to reasonable perceptions of relative importance. It is hoped that all readers will develop their own criteria weighting "scenarios" for this process in order to develop an independent priority listing of sources.



DECISION MATRIX

During the early stages of the evaluation process, pro and con discussions were developed for each of the suggested sources according to seven evaluation criteria. The pro-con discussion format was not conducive to the creation of summary charts and matrices, and was reorganized. Questions were developed under each criterion to be answered in "yes" or "no" fashion whenever possible. For example under "equitability", question A-3 was: "Do the persons who benefit pay in proportion to benefits received?" (All questions are expressed in detail in Chapter 3 of the full report.) If the answer is "yes", a filled-in circle is drawn; if "no", an open circle. If impacts are mixed or moderate, a half filled circle is generated. Many of the responses could have been mixed

or uncertain, given the analytical complexity of many secondary effects, but every effort was made to elicit a "yes" or "no" response, even if the evidence was not ideally complete.

The matrix as shown, however, does not distinguish the relative importance of the seven criteria. All criteria and their associated questions were treated as if of equal weight at this stage. Also, a final "score" or ranking is not readily discernible. The next step in the process was to weigh the criteria according to varying perceptions of their importance and finally to rank each source according to its relative desirability.

CHAPTER	LEGEND ● YES OR HIGH ○ NO OR LOW ◐ MIXED OR MODERATE - UNCERTAIN OR UNKNOWN SEE ALSO SECTIN 3.01	CRITERIA	REVENUE SOURCE																															
			EQUITABILITY				REVENUE				PRODUCTIVITY				ECONOMIC RESPONSIVENESS				TRANSPORTATION - RELATEDNESS				PLANNING GOALS - RELATEDNESS				ADMINISTRATIVE SUITABILITY				POLITICAL VIABILITY			
			A1 EQUAL	A2 PROGRESSIVE	A3 BENEFIT	A4 IMPACT		B1 POTENTIAL	B2 BONDING		C1 INFLATION	C2 STABLE	C3 EFFICIENT		D1 SYSTEM	D2 INCENTIVE	D3 BENEFIT		E1 SATISFY	E2 LAND USE	E3 ENERGY		F1 EXTENSION	F2 FLEXIBLE		G1 PUBLIC	G2 INVISIBLE	G3 AGENCIES	G4 LEGAL					
6	PROPERTY TAX		◐	◐	○	●		●	●		◐	●	○		○	○	○		-	-	-		●	◐		○	○	○	●					
7	BENEFIT ASSESSMENT DISTRICT		○	●	●	○		○	◐		◐	●	◐		◐	●	●		●	●	●		○	○		○	○	○	◐					
8	SALES TAX		●	○	-	●		●	●		●	●	-		◐	○	○		○	○	○		●	●		-	◐	-	◐					
9	TDA (SB 325 FUND)		●	○	-	●		●	●		●	●	-		◐	○	○		○	○	○		●	●		-	◐	-	◐					
10	INCOME TAX		●	●	◐	●		●	●		●	●	◐		○	○	◐		◐	○	○		●	●		○	○	◐	◐					
11	FUEL TAX (¢ PER GALLON)		◐	○	◐	○		◐	◐		○	◐	●		●	●	◐		●	◐	●		●	◐		-	◐	◐	●					
11	FUEL TAX (% OF GASOLINE PRICE)		◐	○	◐	○		◐	◐		●	◐	●		●	◐	◐		●	◐	●		◐	◐		-	◐	○	◐					
12	VEHICLE CHARGE (FLAT)		◐	○	◐	○		◐	◐		○	●	○		●	○	◐		◐	○	○		●	◐		-	◐	○	●					
12	VEHICLE CHARGE (VARYING)		◐	◐	●	◐		◐	◐		○	●	●		●	◐	◐		●	●	●		◐	◐		◐	◐	○	◐					
12	VEHICLE CHARGE (% IN LIEU)		◐	●	◐	●		◐	◐		●	●	◐		●	◐	◐		●	◐	◐		●	◐		-	◐	○	●					
13	PARKING CHARGE (COM'I)		○	○	-	●		○	◐		○	●	◐		●	●	◐		◐	○	●		◐	◐		◐	◐	○	●					
13	PARKING CHARGE (PUBLIC)		○	○	-	○		-	◐		○	◐	-		●	-	○		-	-	◐		○	◐		○	○	○	○					
14	TOLL REVENUE (SURPLUS)		◐	○	●	◐		○	◐		○	○	○		●	◐	◐		●	●	●		●	●		●	○	○	○					
14	TOLL REVENUE (SURCHARGE)		◐	○	●	◐		◐	●		○	●	◐		●	◐	◐		●	●	●		●	●		◐	○	○	◐					
15	EXCISE TAX		○	○	○	●		○	◐		○	●	◐		○	○	○		○	○	○		●	◐		○	●	○	●					
16	TIDELANDS OIL		-	○	-	-		○	○		○	◐	◐		○	○	○		-	◐	●		◐	●		●	●	○	●					

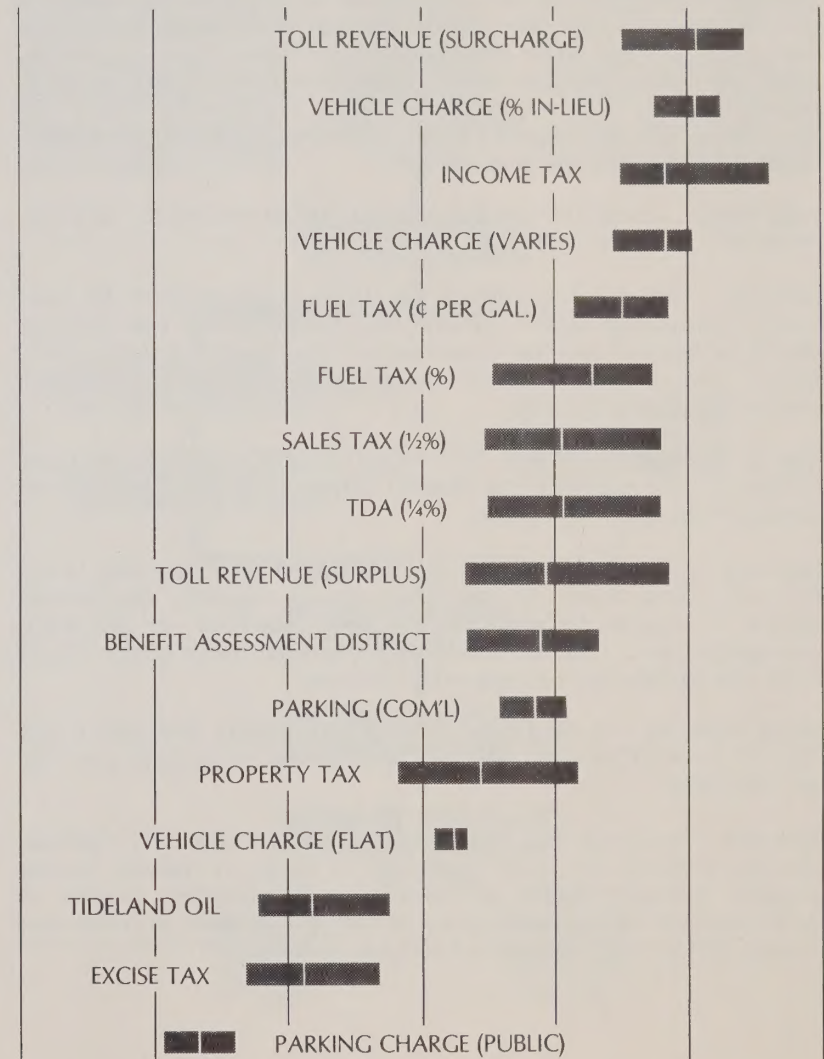
RELATIVE ACCEPTABILITY OF ALTERNATIVE REVENUE SOURCES

After equalizing the number of questions under each criterion, a number of alternative scenarios were developed in order to weight the seven criteria differently. For example, which is more important - equitability or revenue productivity? Is political viability more important than administrative suitability? To provide a wide range of choices which could still be reasonably handled, five alternative weighting scenarios were developed. One scenario, for example, claims that equitability and political viability are the most important criteria, whereas planning goals, administrative suitability and economic responsiveness are the least important, and revenue productivity and transportation-relatedness are of intermediate importance. Four other scenarios make different but still reasonable assumptions about relative importance. When these scenarios are scored, a range of desirability is obtained as is shown in the accompanying chart. A toll revenue surcharge scored the highest under the ranges of criteria assumptions. The income tax scored the highest individual score under one scenario, but other lower scenario scores pulled its overall average down into third place ranking. **Again, these rankings are suggestive only, and the assumptions behind each can only be understood by close reading of the full text.** Any recommendations after more public discussion, however, should relate to these findings.

SOURCES RANKED ACCORDING TO DESIRABILITY OF IMPLEMENTATION

LESS DESIRABLE

MORE DESIRABLE



RECOMMENDATIONS FOR ACTION

IMMEDIATE ACTION — REDUCE TAX AND TOLL BURDENS ON PUBLIC TRANSIT WHILE PROVIDING ADDITIONAL SUPPORT THROUGH EXISTING STATE PROGRAMS.

Summary — The State and Federal governments should be encouraged to enact tax exemptions for public transit operators where possible, especially with respect to fuel excise and sales taxes, and sales taxes on vehicles, capital equipment and other items. Further State action is encouraged to provide subsidies from existing social welfare programs for special fare discounts, to initiate transit education in secondary schools and to exempt transit operators from paying bridge tolls.

FARE POLICY — INCREASE FUNDING SUPPORT FROM OPERATING REVENUES PROPORTIONATE TO INCREASING COSTS.

Summary — Selective fare increases should be implemented in the short term to coincide with service improvements. Comprehensive fare structures should be designed over the longer term to reflect escalating service costs, thereby providing for a stable proportionate contribution from this source over time.

LOCAL SUPPORT — LEVELS OF LOCALLY-SPECIFIC AND REGIONALLY DISCRETIONARY SUPPORT FOR TRANSIT FROM LOCAL SOURCES SHOULD DERIVE FROM RELATIVE BENEFITS.

Summary — Severe discrepancies in local support for transit exist in the Bay Area. These should be diminished through regionally discretionary sources of support for programs benefiting “corridors” or the entire metropolitan area. Costs of new or expanded local transit service should be at least partially offset by increased local taxes.

STATE SUPPORT — A PROGRAM OF DEDICATED STATE ASSISTANCE FOR TRANSIT OPERATIONS AND CAPITAL IMPROVEMENT SHOULD BE ENACTED IN CALIFORNIA.

Summary — In comparison to other urban states in the U.S., California provides relatively low levels of support to transit. A separate funding program dedicated entirely to transit support is needed, possibly in conjunction with local revenue sharing of state general funds, to compliment existing TDA and discretionary SCA-15 funding programs.

SOURCE EVALUATION — AS A GROUP, VEHICLE-RELATED TAXES SHOULD BE RELIED UPON AS THE PRIMARY SOURCE OF PUBLIC SUPPORT FOR TRANSPORTATION IMPROVEMENT.

Summary — Bridge tolls (surcharge) and a special vehicle in-lieu fee are the top priority alternatives, followed by registration fees and fuel taxes. In conjunction with these sources, diversion of more broad-based tax revenues from retail sales taxes* is recommended as the optimal approach to increased transit system support. Income taxes may also contribute to transit support, but should do so only through a state general revenue sharing program to local governments.

LEGISLATIVE IMPLEMENTATION — SEE FOLLOWING PAGE.

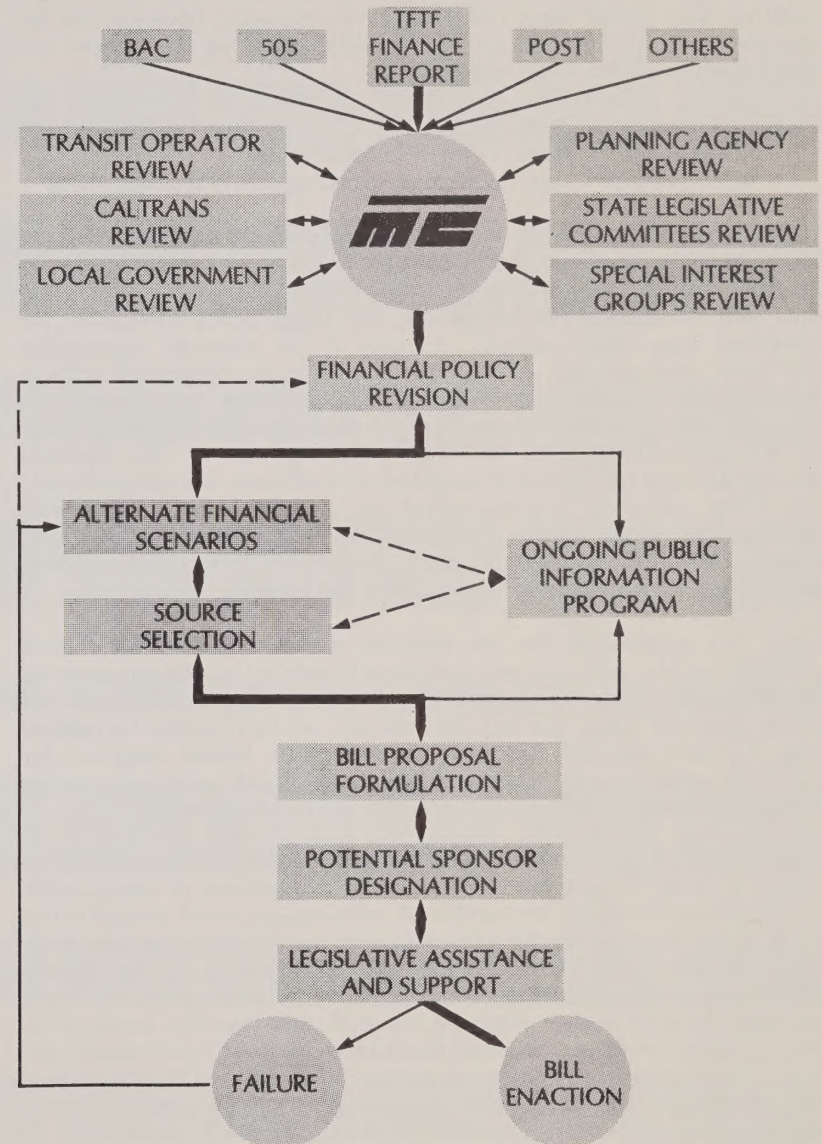
* The retail sales tax recommendation is limited to extension of the ½% sales tax in San Francisco, Alameda and Contra Costa Counties for all transit, plus initiating the ½% sales tax in San Mateo and Santa Clara Counties. Other counties may become appropriate for sales tax support as transit emphasis increases in each.

LEGISLATIVE IMPLEMENTATION

One of the greatest concerns in the coming months will be public and official selection of financial sources to be emphasized or implemented. The process of selection and implementation is a complex one and the accompanying chart provides only a hint of the sustained effort which will be needed to generate and support new tax legislation in the context of related study recommendations.

MTC alone cannot expedite the necessary legislation. Cooperation from the transit operators, local legislators and the public is continually needed. MTC can and will, however, continue to generate the necessary data to clarify the possibilities. It will also critically examine efforts by other agencies who are in competition for the same funds in short supply. MTC could certainly provide the forum around which conflicting proposals can be made or resolved as affecting this region. The State, however, may be the ultimate repository of new solutions.

CONCEPTUAL PROCESS FOR LEGISLATIVE ACTION PROGRAM



DESIGNING A REGIONAL TRANSIT FINANCIAL PLAN

There are an infinite number of possible combinations of taxes that could be applied in the Bay Area in order to finance an expected 10-year need for \$1.4 billion. Most combinations or scenarios, however, can be grouped by policy implications. For example, nearly all the sources can be grouped into three major categories:

- user-related (fares, tolls)
- broad-based (sales, property, income taxes)
- vehicle-related (gas, registration, in-lieu vehicle, and parking fees)

Some communities have recommended a triad approach where fares support one-third of the need, a broad-based source such as the sales tax supports another third, and vehicle-related charges such as the gas tax support the final third. **For purposes of comparison**, only fifteen policy implications (or scenarios) have been selected. Scenario 7, for example, approaches the "pure" triad approach. All the other policies show considerable shifts in emphasis. Scenarios 10 and 11 appear extremes since they recommend complete support of the expected need through a vehicle-related tax only, or through a broad-based tax only. (A policy that all the expected incremental need be financed through fare increases only was not examined.) The fifteen scenarios were converted into approximately 32 reasonable combinations of tax sources to achieve the \$1.4 billion, 10-year target. Many other combinations of tax sources are possible, and indeed, scenarios are limited only by the reader's imagination and patience.

Again, it is emphasized that this estimate of expected short fall is most probably on the low side and consists primarily of operations expense needs. It is also most relevant to three or four counties and three or four transit operators, but at this stage the estimate will be considered a **regional** one. It is also assumed that no major increase in federal assistance for operating expenses will occur and that most capital needs will receive considerable federal assistance based on recent past experience.

The midpoint of the 10-year estimate for each major source was selected as shown in order to determine the revenue productivity of the possible combinations. To reduce the number of combinations, some sources in this study were assumed to be dropped from consideration at this time. These include surplus bridge tolls (because of passage of AB 664), benefit assessment districts, excise taxes and tidelands oil revenues. (These were excluded because of their relatively low evaluation and low productivity, but of course, could be reinstated later.) Each of the 32 combinations was also scored according to their evaluation in Chapter 3 and according to their relatively high potential for supporting operating expenses, which is the greatest need. A final evaluation was developed as shown, in which 10

combinations were rated "high", 8 rated "low" and 14 "medium". (Since no new or old tax is really desirable, the adjectives are certainly relative.) Other combinations are obviously possible, but are difficult to treat in anything but a general sense. For example, Santa Clara and San Mateo could apply property or sales tax increases to meet their expected shortfall. Compared to Alameda, Contra Costa and San Francisco, transit support in these two counties has been relatively low. Also, the issue of an intermodal and/or inter-county regional fund to provide permanent or temporary transfers of funds (in whole or in part), regardless of where the funds were generated, has not been fully explored. These and other policy implications will be examined and discussed in the coming months.

TENTATIVE FINANCE POLICY SCENARIOS

SCENARIO	USER-RELATED	BROAD-BASED	VEHICLE - RELATED
1	0%	50%	50%
2	0%	30%	70%
3	0%	70%	30%
4	10%	45%	45%
5	10%	30%	60%
6	10%	60%	30%
7	30%	35%	35%
8	30%	20%	50%
9	30%	50%	20%
10	0%	0%	100%
11	0%	100%	0%
12	10%	0%	90%
13	10%	90%	0%
14	30%	0%	70%
15	30%	70%	0%

FARE INCREASE Minor \$140 m Major \$420 m	SALES TAX 1/8% - \$1,290 m 1/4% - \$650 m 1/2% BART - \$530 m	FUEL TAXES 1¢ - \$250 m 2¢ - \$500 m 3¢ - \$750 m 1% - \$150 m 3% - \$440 m
TOLL SURCHARGE \$110 m	PROPERTY TAX 10¢ - \$210 m 25¢ - \$530 m 50¢ - \$1,060 m	VEHICLE CHARGES \$10 - \$360 m 1% - \$490 m
	INCOME TAX 5% - \$460 m 10% - \$920 m	PARKING CHARGES 10¢ - \$380 m 25¢ - \$940 m

NOTE: "m" = MILLIONS

SAMPLE COMBINATIONS OF FINANCIAL PLAN ALTERNATIVES

SCENARIOS	ALTS.	FARES	SALES TAXES	PROPERTY TAXES	INCOME TAXES *	FUEL TAXES	VEHICLE TAXES	PARKING CHARGES (PER HR./PER SPACE)	TOTAL REVENUES (\$ MILLIONS)	FINAL EVALUATION
1	A	-	¼%	-	-	3¢	-	-	1,400	low
	B	-	½% BART	10¢	-	3¢	-	-	1,490	low
2	A	-	½% BART	-	-	-	-	25¢	1,470	low
	B	-	-	-	5%	3%	1%	-	1,390	high
3	A	-	-	-	10%	3%	-	-	1,360	high
	B	-	½% BART	25¢	-	-	-	10¢	1,440	low
	C	-	½% BART	25¢	-	-	\$10	-	1,420	medium
4	A	MINOR	¼%	-	-	1¢	\$10	-	1,400	medium
	B	MINOR	¼%	-	-	1¢	-	10¢	1,420	medium
5	A	MINOR	½% BART	-	-	3%	\$10	-	1,470	high
	B	MINOR	-	-	5%	3%	-	10¢	1,420	medium
6	A	MINOR	¼%	10¢	-	-	1%	-	1,490	high
	B	MINOR	-	-	10%	2¢	-	-	1,560	high
7	A	MAJOR	-	25¢	-	2¢	-	-	1,450	medium
	B	MAJOR	-	-	5%	-	1%	-	1,370	high
	C	MAJOR	½% BART	-	-	1%	-	10¢	1,480	medium
8	A	MAJOR	-	10¢	-	3¢	-	-	1,380	low
	B	MAJOR	¼%	-	-	1¢	-	-	1,320	medium
9	A	MAJOR	½% BART	10¢	-	1¢	-	-	1,410	medium
10	A	-	-	-	-	3¢	\$10	10¢	1,490	low
	B	-	-	-	-	3%	1%	10¢	1,310	medium
11	A	-	½%	10¢	-	-	-	-	1,500	medium
	B	-	½% BART	-	10%	-	-	-	1,450	high
	C	-	-	50¢	5%	-	-	-	1,520	low
12	A	MINOR	-	-	-	2¢	\$10	10¢	1,380	medium
	B	MINOR	-	-	-	3¢	1%	-	1,380	medium
13	A	MINOR	½%	-	-	-	-	-	1,430	medium
	B	MINOR	-	25¢	10%	-	-	-	1,590	medium
14	A	MAJOR	-	-	-	-	-	25¢	1,360	low
	B	MAJOR	-	-	-	2¢	1%	-	1,410	high
15	A	MAJOR	-	-	10%	-	-	-	1,340	high
	B	MAJOR	½% BART	-	5%	-	-	-	1,410	high

* ASSUMES GENERAL REVENUE SHARING MECHANISM

SOURCE ANALYSIS

PROPERTY TAX

DESCRIPTION:

Potential revenues for transit support through incremental property tax rates of 10¢ to 50¢ per \$100 assessed valuation have been estimated by county.

Property taxes are the primary revenue source for local general purpose governments throughout the state. Four counties in the Bay Area support transit from this source, through both municipal general funds (especially S.F. Muni) and special purpose district taxation (BART, AC Transit, and Marin County Transit District). However, five counties do not use the property tax at all for transit purposes. The counties who do support transit through the property tax vary widely in effort as shown by the 1975-76 rates:

County	¢/100
Alameda*	94.8
Contra Costa*	90.0
Marin	5.0
San Francisco**	249.9

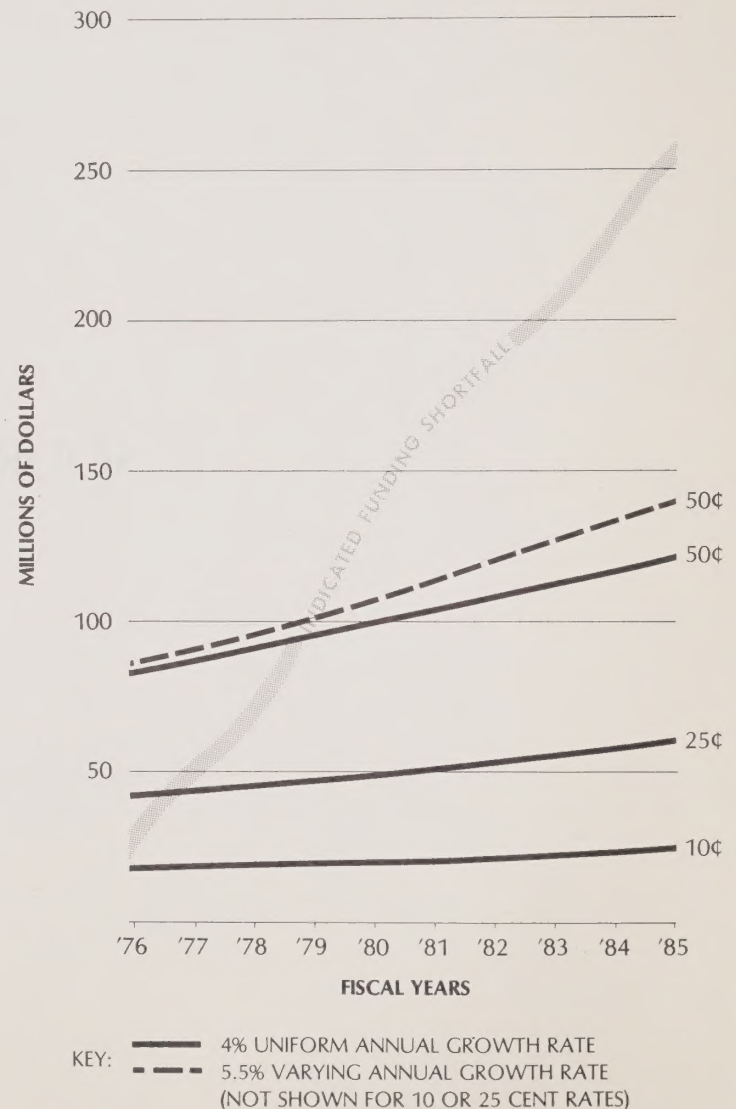
- * AC Transit (district areas only) & BART
 ** Includes an estimated equivalent of \$2 per \$100 a.v. from the general fund for SF Muni, plus BART tax support.

Cities such as Berkeley, Newark and Fremont have also supported transit through the property tax.

TRENDS & REVENUES:

In 1974-75, Bay Area taxable assessed property value exceeded \$16 billion. (Taxable assessed valuation is gross assessed valuation of land, improvements and personal property, less all exemptions.) Growth in this base has averaged in excess of 5% annually since 1970-71 despite considerable economic uncertainty during that period. Wide variation of growth rates has also occurred between urban (below average) and ex-urban (above average) counties. The taxable property base in the Bay Area is expected to grow at a rate averaging between 5.3 and 5.5% annually. Accepting these assumptions, a 10¢ property tax rate enacted throughout the Bay Area could generate \$221 million in ten years; a 50¢ rate could generate \$1.1 billion. (Recently completed reassessments may substantially increase revenue generating potential at indicated tax rates. SB 90 restrictions nevertheless render much of this potential academic.)

ANNUAL REVENUE FLOW



REVENUES
(\$ MILLIONS)

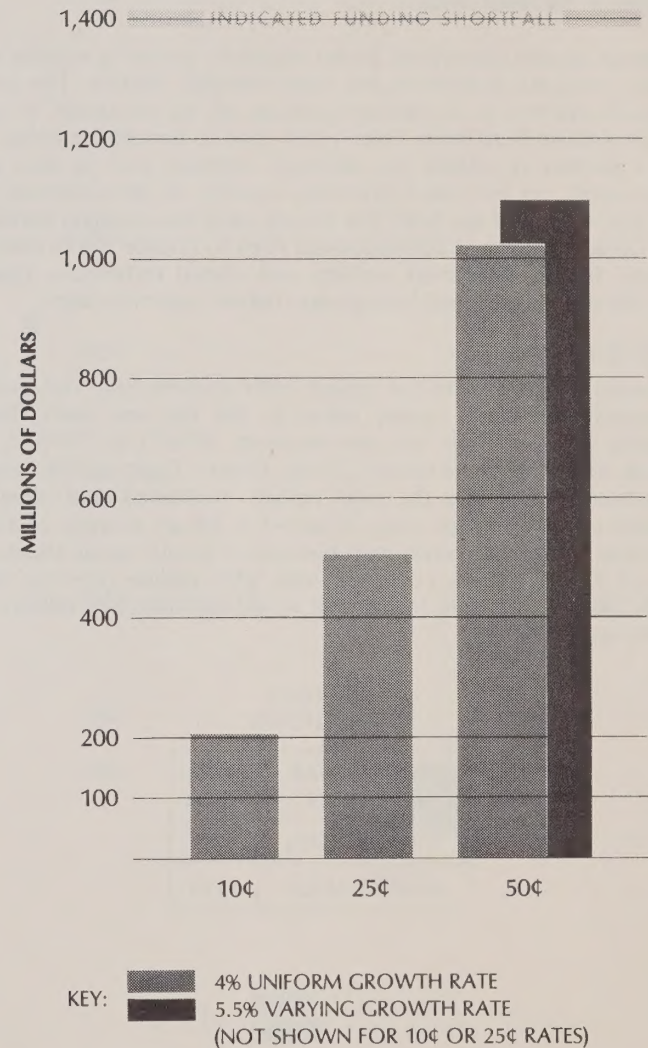
RATES \ YRS.	1st	5th	10th	10-YR. TOTALS
10¢	\$17	\$21	\$28	\$221
25¢	\$43	\$53	\$70	\$553
50¢	\$86	\$106	\$139	\$1,106

EVALUATION:

The property tax is highly revenue productive as demonstrated above and responds relatively well to upward economic pressures. Its equitability varies, since property values do not necessarily reflect the economic status of owners, particularly residential, and certainly do not reflect the status of tenants upon which a large proportion of the burden inevitably falls. The property tax is only slightly transportation-related and has no known capability to advance other planning objectives when applied non-discriminately. Although easily implemented from an administrative perspective, the viability of such a tax proposal in the current political environment is extremely poor.

The effect of the property tax on residential properties will vary among the counties. It is generally thought that San Francisco relies heavily on its commercial base, but 60 percent of the City's net assessed valuation was residential in 1975-76. Contra Costa, Alameda and Sonoma ranged from 62 to 67 percent residential. San Mateo and Marin rely heavily on their residential property tax base with 80 and 86 percent, respectively. The concept of a shared tax base is used in the Minneapolis-St. Paul area where 40 percent of property taxes raised by commercial and industrial properties goes into a regional pool, regardless of the location of those properties. A similar concept might be tried in the Bay Area, if found desirable and if constitutional obstacles can be overcome, but it has not been evaluated in this report.

10 - YEAR REVENUE TOTALS



BART STATION AREA BENEFIT ASSESSMENT DISTRICTS

DESCRIPTION:

Benefit assessment districts could be created around transit nodes such as BART stations. Estimates were made of expected revenues from 34 station areas of ½-mile radius, based on a sampling of ten typical stations in the BART system.

A transit benefit assessment district would be similar to existing sewer, water, mosquito abatement and other "benefit" districts. The purpose of such districts is to recoup part or all of the costs of public improvements from those areas which tend to benefit the most. There are a number of related, but different, concepts such as joint power agreements, tax increment financing, transfers of development rights, and the single land tax. BART has already used tax allocation bonds from the Golden Gateway Redevelopment Area to finance the Embarcadero station. Benefit assessment districts and related techniques, however, will all require considerable evaluation before implementation.

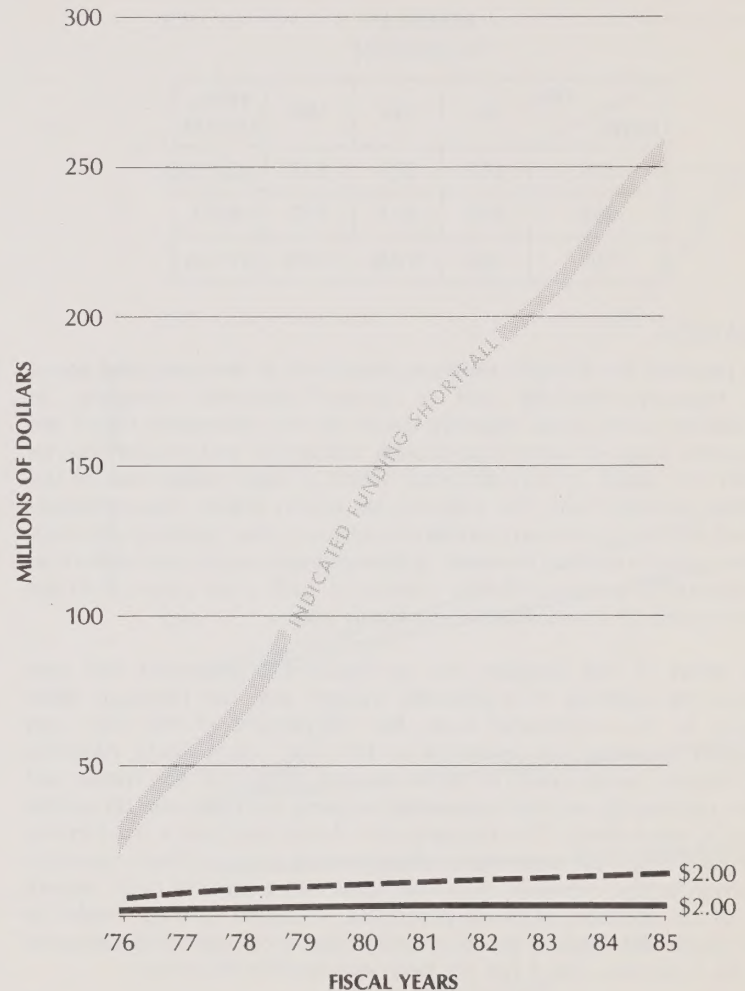
TRENDS & REVENUES:

Assessed values around ten typical BART stations have not increased as rapidly as overall county values in the last few years. The ten stations increased only two percent from 1971-72 to 1974-75, while values in Alameda increased 23.5%, Contra Costa 42.9%, and San Francisco 11.6% during the same period. If assessed land values only around all BART station were assumed to be an average of \$25,000 per acre, 34 benefit assessment districts of ½-mile radius taxed at the rate of \$2.00/\$100 a.v. could generate \$115 million over the 10-year study period. (A ¼-mile radius area would generate \$29 million under similar assumptions.)

REVENUES
(\$ MILLIONS)

\$2.00/\$100 TAX APPLICATION	10-YR. TOTAL
¼ MILE RADIUS	\$29
½ MILE RADIUS	\$115

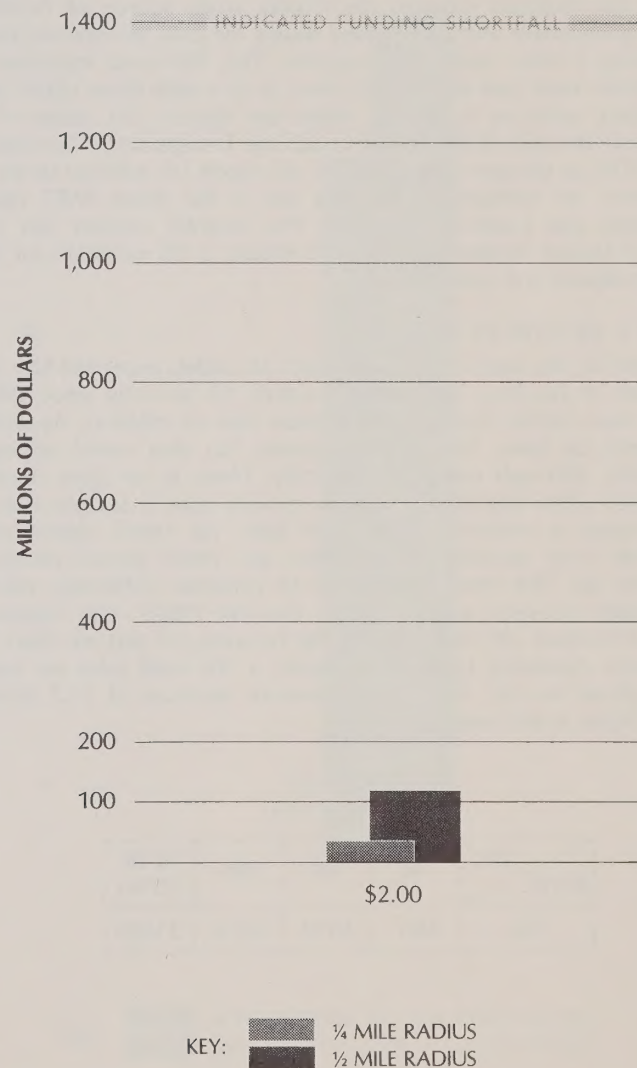
ANNUAL REVENUE FLOW



EVALUATION:

Benefit assessment districts attempt to impose costs on those areas which most benefit from transit improvements. The application of the concept is considered difficult and uncertain by many tax assessors, but may become no more difficult with experience than other "hard" valuations. Revenue productivity would not be very high, however, and the source seems more suited to local rather than regional implementation.

10 - YEAR REVENUE TOTALS



SALES TAX

DESCRIPTION:

An increase of ¼% to ½% of taxable sales has been evaluated by county.

Sales tax revenues provide the largest single source of funding to State government and a substantial source for local government budgets covering a wide variety of programs. The California legislature and Governor retain sole authority to enact or to enable other public entities to enact sales tax increases. (Sales tax support for transit is also available throughout the State through the Transportation Development Act (TDA) as discussed separately in this report.) In addition to the TDA program, an emergency ½% sales tax in the three BART counties supports that system's operation. The recently created San Mateo Transit District retains the ability to initiate a ½% sales tax for transit improvement and operation.

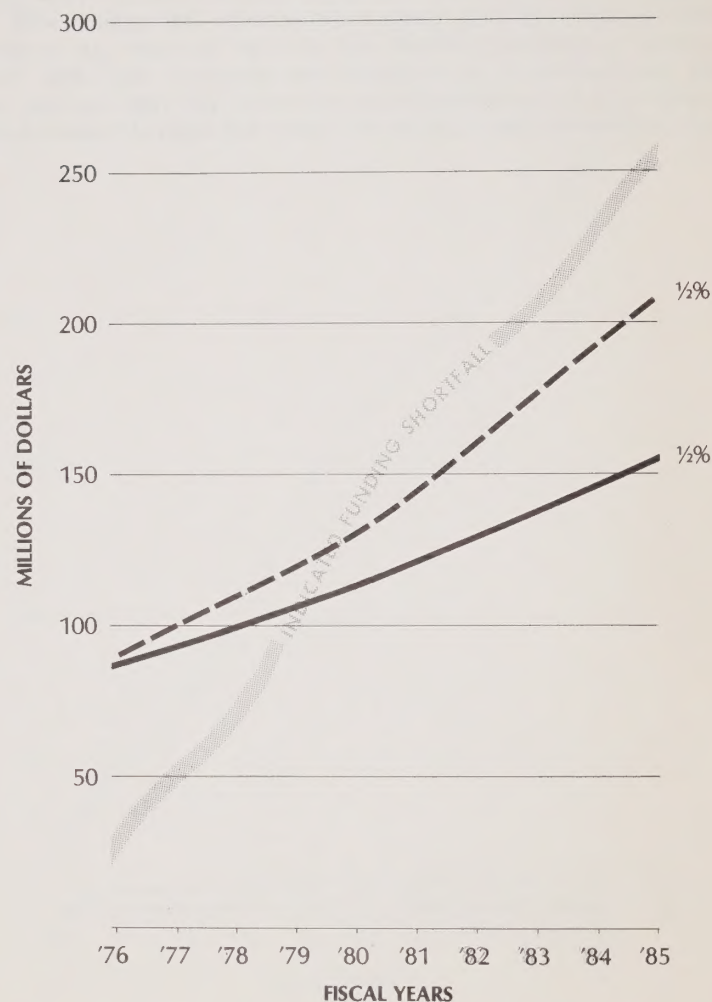
TRENDS & REVENUES:

In 1974-75, Bay Area taxable sales from all outlets exceeded \$16 billion. Growth in this base has averaged nearly 9% annually since 1968-69, with even higher rates in recent years due to inflation. As with the property tax base, taxable sales growth has also varied among the counties, although not as dramatically. There is no clear distinction between urban and ex-urban county growth rates in taxable sales, and the range is relatively close. The sales tax trend, taken overall, parallels cost escalation better than any other source except the income tax. The trend is expected to continue, exhibiting moderate variability between counties, into the mid-1980's. The region-wide rate of increase will most probably fall between 6.5 and less than 10.0% annually. Accepting these assumptions, a ½% retail sales tax enacted throughout the Bay Area could generate revenues of \$1.2 billion to \$1.4 billion in ten years.

REVENUES
(\$ MILLIONS)

YRS. RATES	1st	5th	10th	10-YR. TOTAL
½%	\$90	\$130	\$206	\$1406

ANNUAL REVENUE FLOW

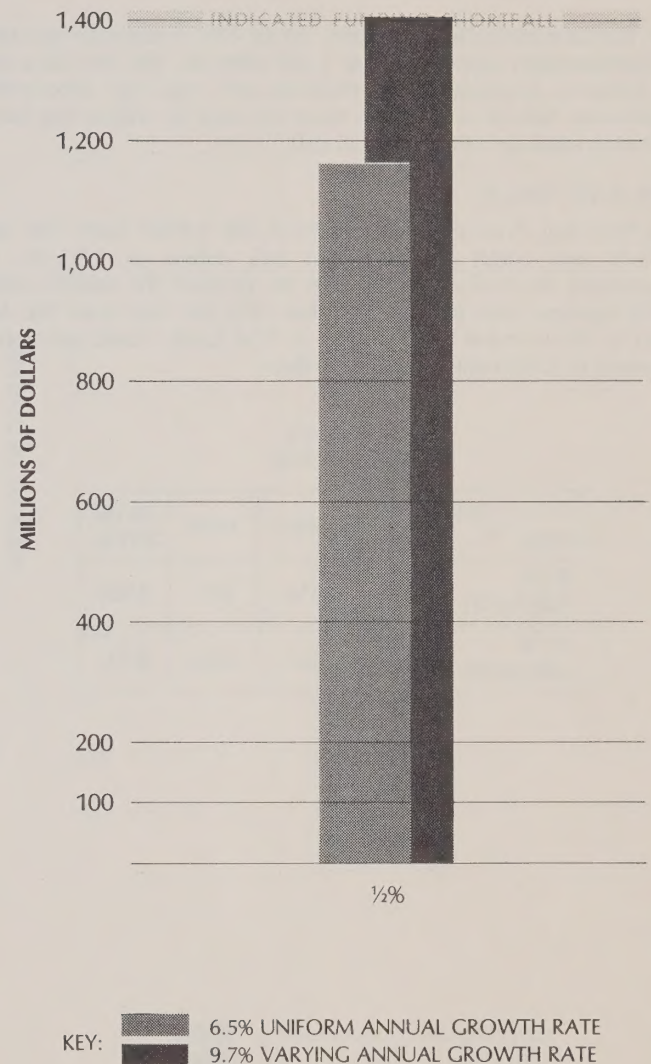


KEY: — 6.5% UNIFORM GROWTH RATE
- - - 9.7% VARYING GROWTH RATE

EVALUATION:

The sales tax at a rate of $\frac{1}{2}\%$ is unsurpassed in revenue productivity by any other tax source measured in this report. Revenues react directly to inflationary pressures, unless major slumps in real consumption occur. Equitability is moderately favorable due to an extremely broad base and the exemption of certain staple items from taxation. Inequities are nevertheless experienced when evaluating impacts on disposable income for lower economic groups. Although the sales tax impinges upon the price of gasoline and automobiles, it is not significantly transportation-related, and it has no recognized capability to advance other planning objectives. It is extremely suitable in an administrative sense, since the machinery for collection and distribution already exists. The political viability of such a tax proposal is largely uncertain. Although precedent has been established, a psychological upper limit for any further increases in the sales tax may have already been reached.

10 - YEAR REVENUE TOTALS



TDA (DOUBLING)

DESCRIPTION:

Expansion of TDA funds through a ¼% increase in the sales tax has been estimated.

The Transportation Development Act of 1971 created a special fund for transportation support through a ¼% sales tax. The Act has a number of complex provisions and revisions are regularly proposed and considered. Not all of the fund must be used for transit and funds for operating expenses are limited to 85%.

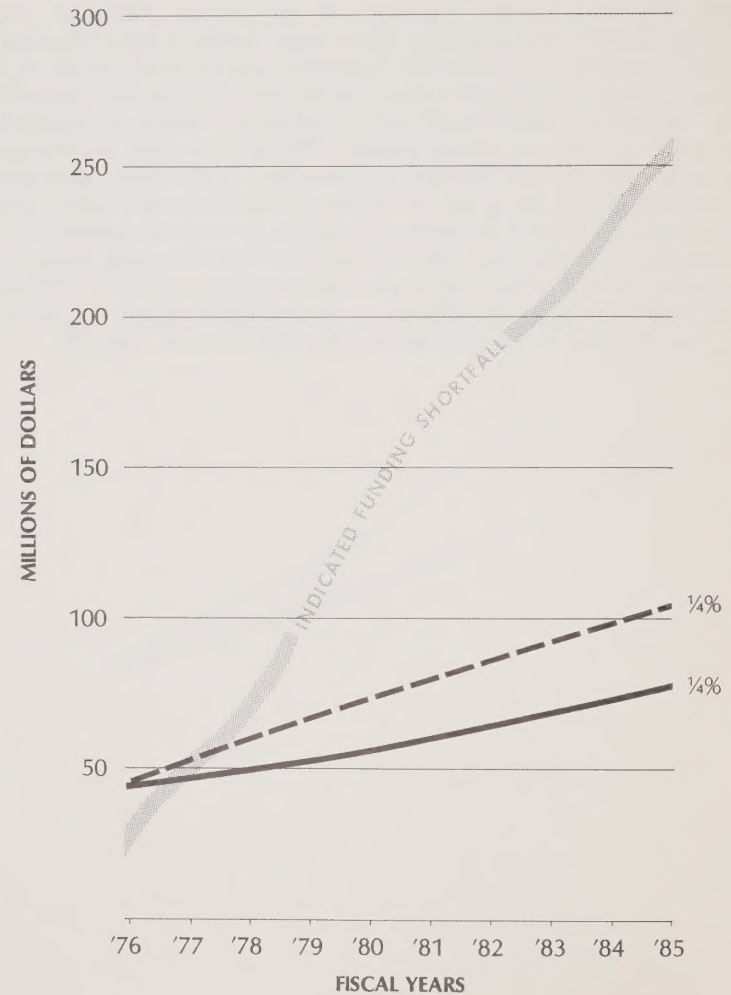
TRENDS & REVENUES:

The nine Bay Area counties received \$38 million from the fund in 1973-74 and could receive about \$45 million in 1975-76. Under assumptions identical to the ½% sales tax increase, the taxable sales base could increase from 6.5% to less than 10% per year over the next 10 years. A ¼% increase (or doubling) of TDA funds would generate total revenues of \$588 million to \$703 million.

REVENUES
(\$ MILLIONS)

RATES \ YRS.	1ST	5TH	10TH	10-YR. TOTAL
6.5% GROWTH	\$44	\$56	\$77	\$588
9.7% GROWTH	\$45	\$65	\$103	\$703

ANNUAL REVENUE FLOW

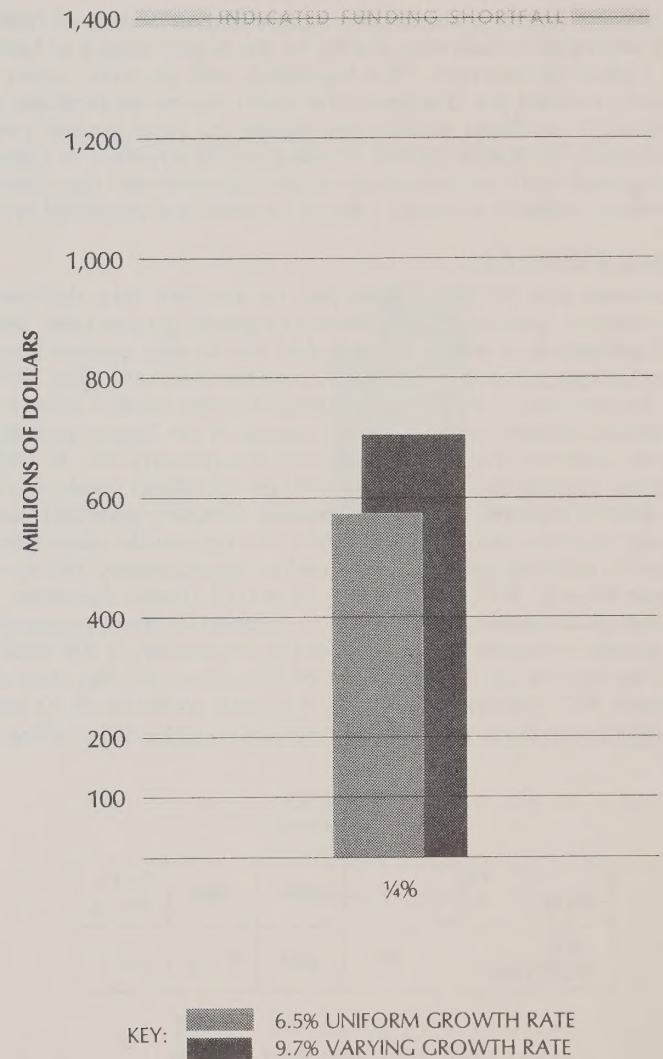


KEY: — 6.5% UNIFORM ANNUAL GROWTH RATE
- - - 9.7% VARYING ANNUAL GROWTH RATE

EVALUATION:

Evaluation of a TDA increase is similar to a sales tax increase. The major distinctions include the obvious difference in revenues generated ($\frac{1}{4}\%$ vs. $\frac{1}{2}\%$), and the existing TDA administrative machinery -- especially its present earmarked funds for transit.

10 - YEAR REVENUE TOTALS



INCOME TAX

DESCRIPTION:

A 10% surcharge on State income tax revenues has been estimated for the region.

Income tax revenues provide the second largest source of funds for State programs in California, and by far the largest source of funds for the Federal government. The legislature and governor retain sole authority to enact any changes to the State's income tax program. There is presently no **direct** income tax support for local general purpose governments (or special districts including transit) anywhere in California. State general fund reimbursements to local governments may, however, contribute indirectly to transit support for municipally-financed systems.

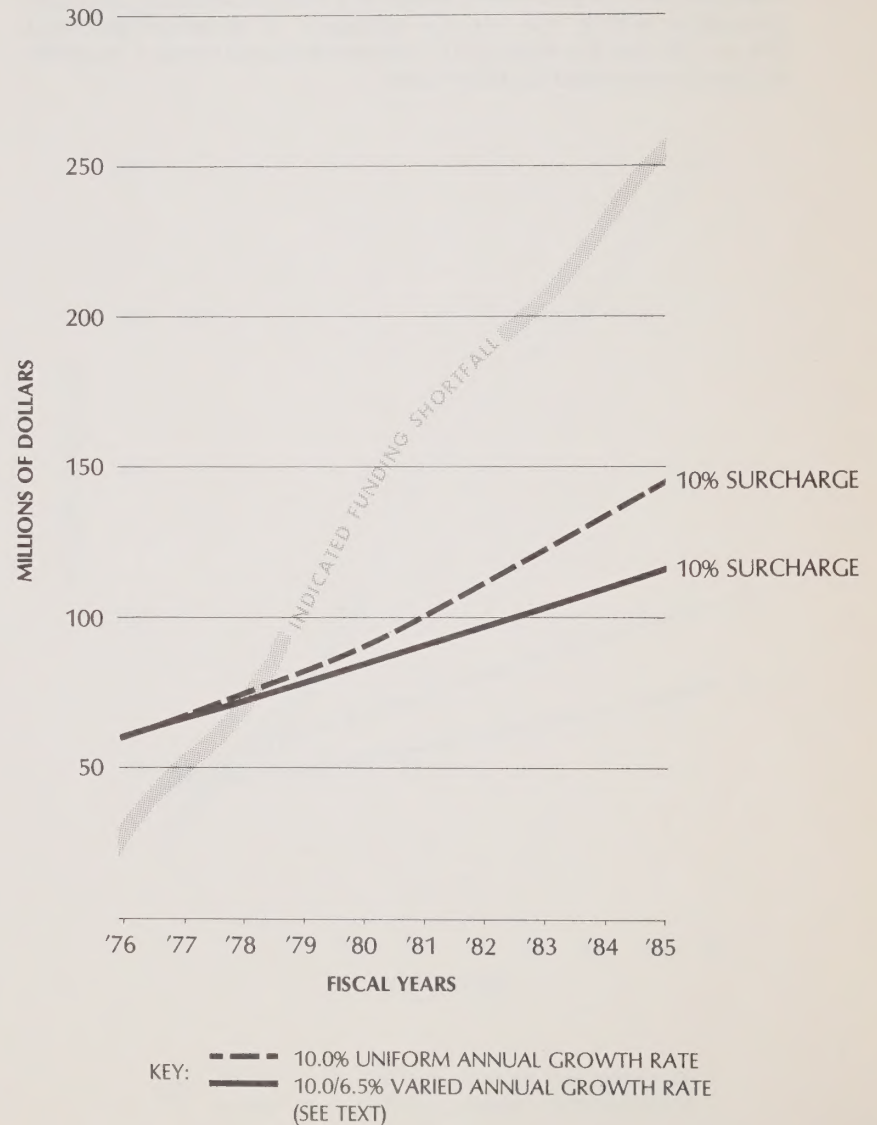
TRENDS & REVENUES:

In calendar year 1972, the latest year for available data, the nine Bay Area counties generated \$19.6 billion in adjusted gross income. Statistics for California as a whole indicate that the taxable income base has grown at approximately 10% annually between 1970 and 1974. Although not documented in this report, expansion of the taxable income base has almost certainly varied between counties in the Region, probably on a scale similar to that experienced with the property tax. As with the sales tax, income tax revenues parallel cost escalation trends very well. This trend is expected to continue, possibly exhibiting significant variation among counties, into the mid-1980's. A region-wide assumption of growth in adjusted gross income could be approximately 10% annually at least through 1977, slowing to 6.5% annual growth thereafter. State income tax revenues are expected to respond in direct proportion to the growth in taxable income. Under this assumption, a 10% surcharge on State income tax revenues enacted throughout the Bay Area could generate \$872 million in ten years. If growth continues at 10 percent throughout the study period, total revenues could be \$972 million.

REVENUES
(\$ MILLIONS)

YRS. RATE	1st	5th	10th	10-YR. TOTAL
10% SURCHARGE	\$61	\$89	\$144	\$972

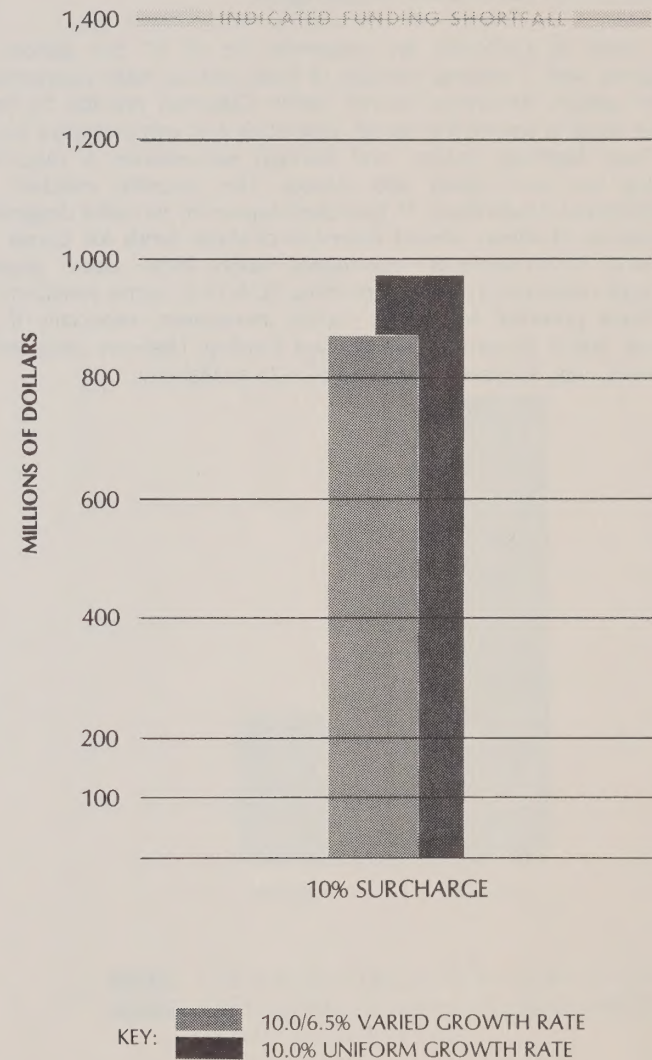
ANNUAL REVENUE FLOW



EVALUATION:

The income tax surcharge as shown is exceeded only by the $\frac{1}{2}\%$ sales tax and a 50¢/\$100 property tax in terms of revenue productivity over ten years. Revenues react very closely to inflationary pressures and almost always exceed them, assuming there is no major economic depression. Equitability is highly favorable relative to all other sources measured, in that ability to pay is the primary tax determinant. An additional strong point includes the administrative suitability of income taxes given an existing collection/distribution capability. The income tax could thus lend itself exceptionally well to regional discretionary allocation, based more on needs than source of origin. On the less positive side, income taxes are not transportation-related, nor do they help in achieving plan objectives in related areas. Moreover, the political viability of a proposed income tax surcharge for transit is moderately unfavorable. While not anticipating major legal complications nor much resistance from existing agencies and local governments, the level of public acceptance for applying highly visible income taxes to a special purpose is certain to raise strong opposition. A more appropriate application of this source would be in the context of a state general revenue sharing program. Local governments could then have the option of applying funds to their individual needs, including transit.

10 - YEAR REVENUE TOTALS



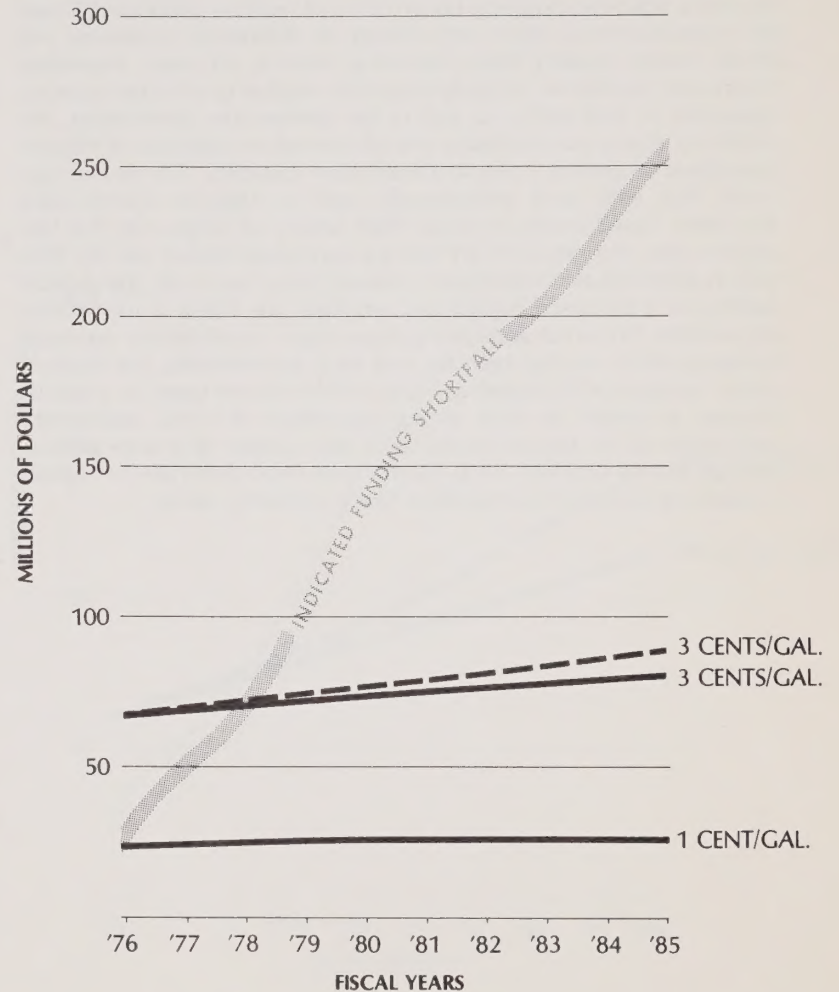
FUEL TAX (EXCISE AND SALES)

DESCRIPTION:

A flat rate of 1¢ to 3¢ per gallon of gasoline and a percentage rate of 1% to 3% of gasoline price (less taxes) have been examined under varying growth assumptions for the region.

Fuel taxes in California are presently set at 7¢ per gallon. This compares with a national average of State fuel tax rates approximating 8¢ per gallon. Revenues derived within California provide by far the largest funding source for capital, operating and administrative costs of the State highway system, and through subventions, a majority of funding for local roads and streets. The recently enacted State Constitutional Amendment 15 (popularly known by its ballot designation - Proposition 5) allows limited diversion of these funds for transit fixed guideway improvements, contingent upon local voter approval. Although restrictive in its present form, SCA-15 or some variation holds significant potential for transit capital investment, especially if used as local match to attract federal grant funding. Highway programming trade-offs may, however, minimize SCA-15 availability.

ANNUAL REVENUE FLOW ¢/GAL.



KEY: — 1.7% UNIFORM ANNUAL CONSUMPTION GROWTH RATE
- - - 3.5% UNIFORM ANNUAL CONSUMPTION GROWTH RATE
(NOT SHOWN FOR 1 CENT RATE)

TRENDS & REVENUES:

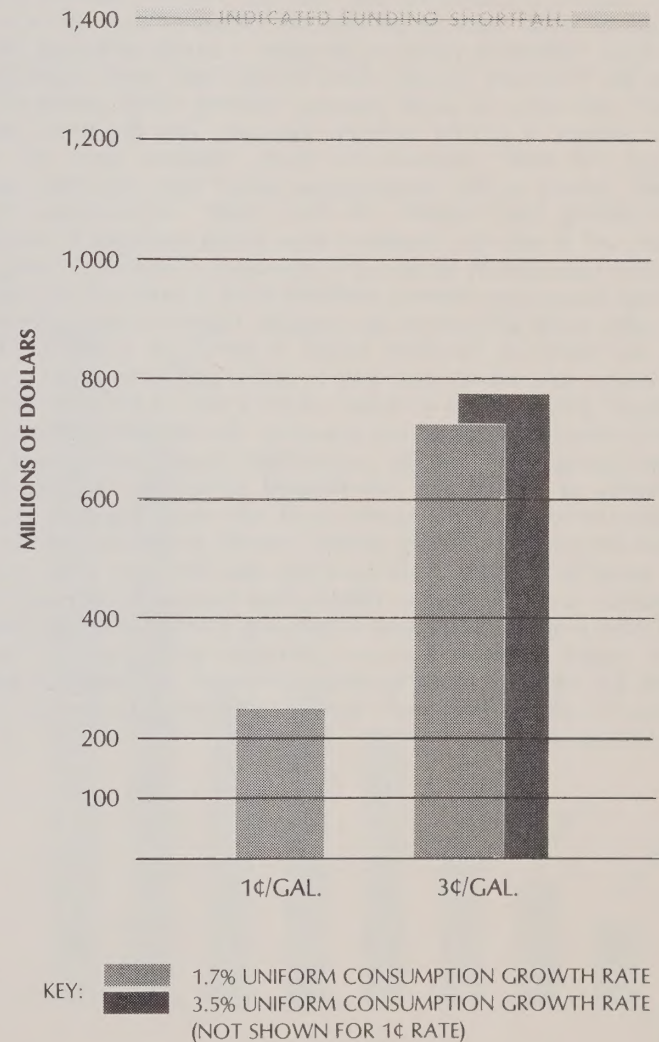
In 1974-75, nearly 10 billion gallons of gasoline were consumed in the State, resulting in gross fuel tax revenues of \$690 million. Consumption was estimated to have dropped 2% in 1973-74 and another 1% in 1974-75, compared to generally 5% increases in previous years. CalTrans estimates show a reversal in the downward trend for 1975-76, with an 8% increase in consumption predicted overall. Taxable gasoline sales are expected to continue some expansion over the ten-year period, but at a much slower rate than in the past. The Statewide rate of increase is estimated to range between 1.7% and 3.5% annually into the mid-1980's, barring prolonged fuel shortages or major shifts in consumption patterns, each of which is possible. The Bay Area proportion of statewide consumption is expected to stabilize at 21% of this total. Given a 3.5 percent growth assumption, a 1¢ per gallon gasoline tax could generate \$258 million in ten years; a 3¢ per gallon rate could raise \$774 million.

As another alternative, the **price** of gasoline is almost certain to continue increasing over the study period. In order to remain consistent with retail sales assumptions of which gasoline is one element, rates of from 6.5 to 10% annually might be adopted. However, these entail both volume and price components for taxable sales estimates. A price increment range for gasoline consumption is therefore projected to be 3% to 6% per year. Applying this to the volume of gasoline sold permits an estimate of tax revenues from a percentage tax increase on gasoline. On the basis of these assumptions, an increase equivalent to a 1% increase in the retail sales tax on gasoline only, could raise up to \$165 million over ten years in the Bay Area; a 3% increase could raise \$495 million over ten years.

REVENUES
(\$ MILLIONS)

YRS. RATES	1st	5th	10th	10-YR. TOTAL
1¢	\$23	\$25	\$29	\$258
3¢	\$68	\$76	\$88	\$774
1%	\$11	\$15	\$24	\$165
3%	\$32	\$46	\$71	\$495

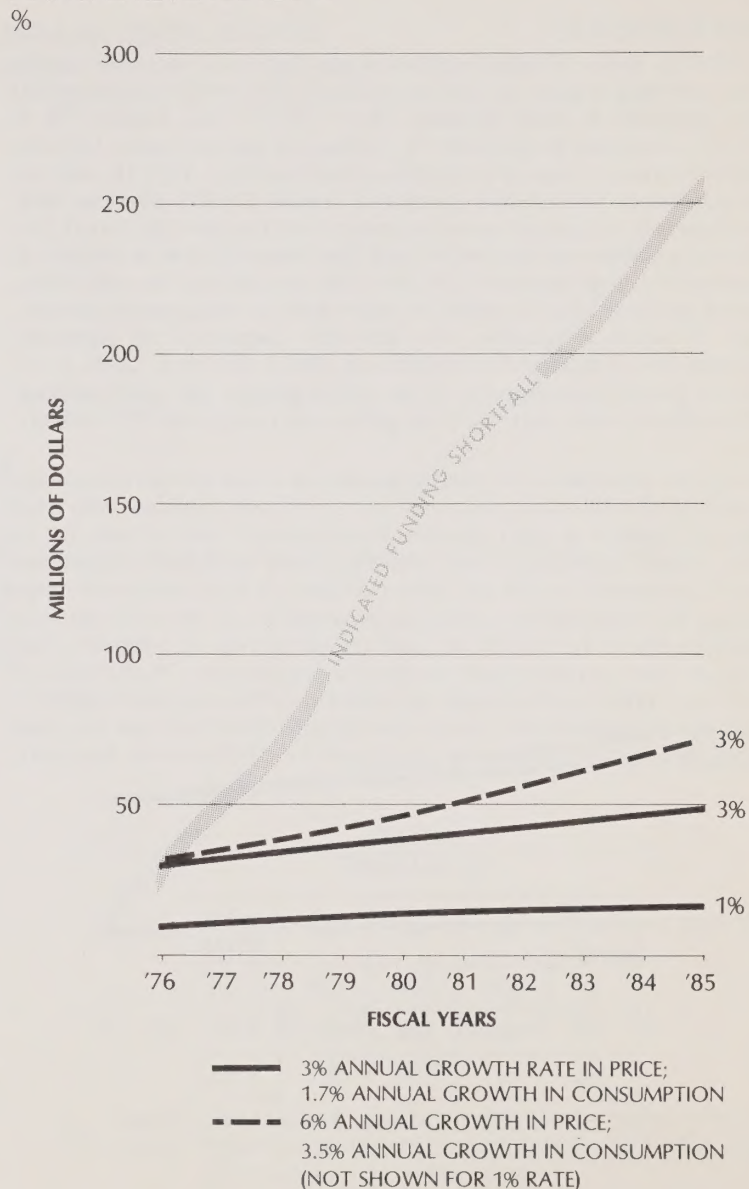
10 - YEAR REVENUE TOTALS ¢/GAL.



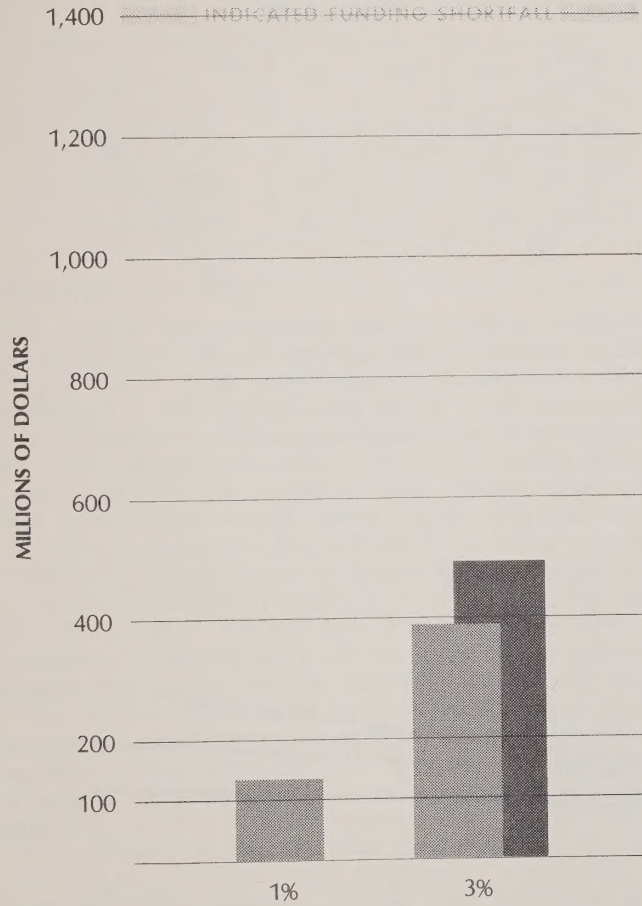
EVALUATION:

Gasoline taxes are moderately high in revenue productivity, as demonstrated above. A 3% tax increase on gasoline would raise nearly as much as a region-wide property tax of 25¢, and 3¢ per gallon increase would yield approximately the same amount as doubling the TDA program (an additional ¼% sales tax). Another distinctly positive feature of either form of gasoline tax relates to their administrative suitability. Collection machinery for either a straight gallonage tax or a sales tax increment already exists at the State level. Equitability is mixed depending on travel patterns, incomes, transit availability and other factors. It can be assumed, however, that the lower income groups will suffer comparatively more. Gasoline taxes are more closely related to the transportation sector than any other source, thus placing cost burdens on that aspect of economic activity which will in turn be benefitted from transit investment. Moreover, gasoline taxes directly facilitate the attainment of related planning goals through discouraging relatively inefficient forms of personal transportation, provided transit alternatives are available. Economic responsiveness of this tax source is, however, mixed. A penny or 3 cent tax based on volume sold will not pace cost escalation sufficiently, given presently accepted projections. A tax based on price will, on the other hand, be highly reflective of inflationary pressures. The overriding concern with either source stems from the susceptibility of petroleum availability to a variety of natural and man-induced influences. This uncertainty coupled with unknown consumer trends may cause a sizeable variation in the ten-year base. Finally, political viability of gasoline tax revenues for transit is relatively more favorable than for many other sources. Legislation is already in effect diverting fuel taxes to transit improvement and other proposals in this area are pending. Ultimate public acceptability is of course uncertain. However, precedent along with low visibility make it a relatively strong candidate. Necessary constitutional amendments in California may make this source a longer term objective for transit support.

ANNUAL REVENUE FLOW

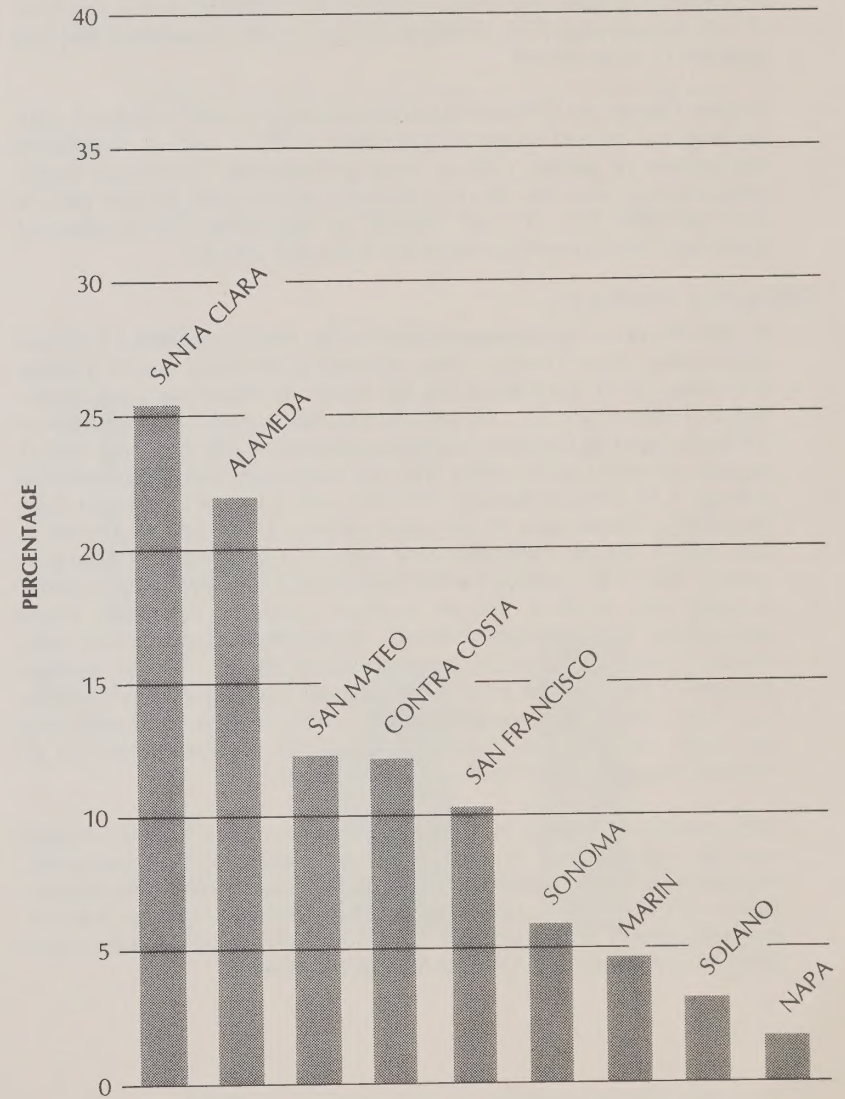


10 - YEAR REVENUE TOTALS %



KEY:
 3% PRICE GROWTH; 1.7% CONSUMPTION GROWTH - ANNUALLY
 6% PRICE GROWTH; 3.5% CONSUMPTION GROWTH - ANNUALLY
 (NOT SHOWN FOR 1% RATE)

COUNTY SHARE OF TOTAL VEHICLES (1974-75)



VEHICLE CHARGES

DESCRIPTION:

An increase in either the in-lieu tax rate (1% additional) or in some form of vehicle surcharge (\$10 additional flat or variable registration fee) was evaluated for the region.

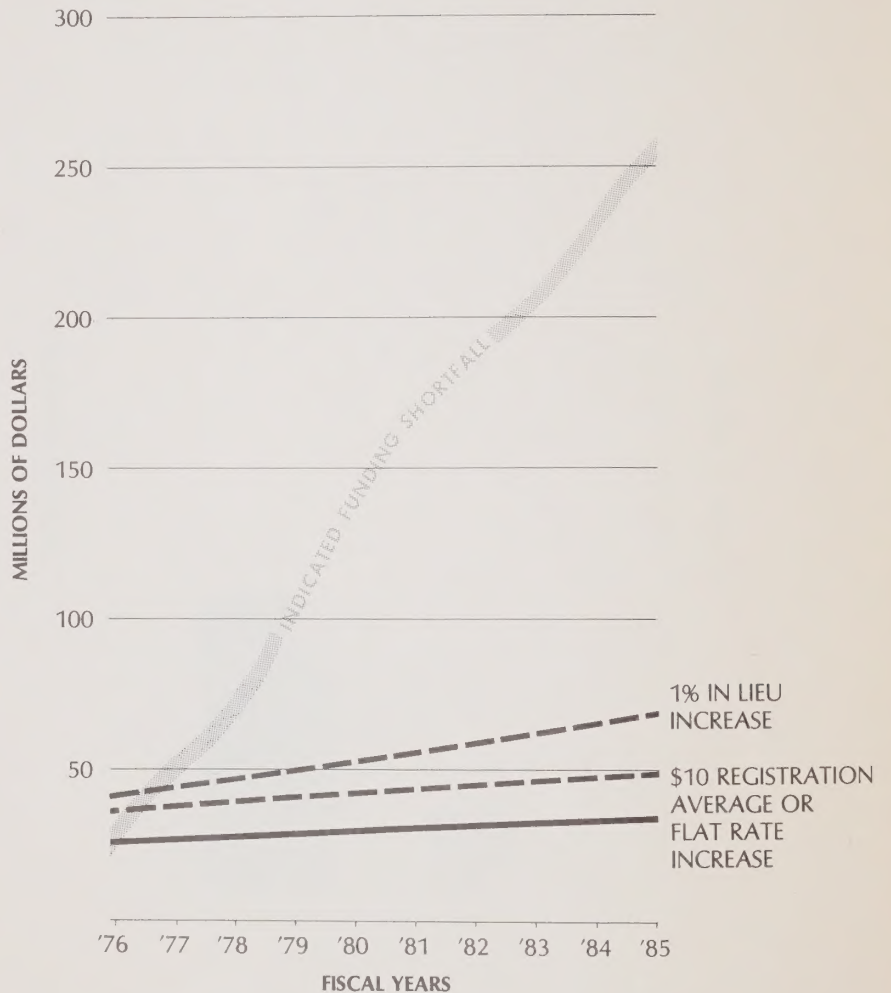
Vehicle charges in California presently support a wide variety of state highway and related programs (i.e., DMV, CHP) as well as contributing substantially to general purpose local governments. (Subvented in-lieu revenues may presently be used by local governments for any general fund purpose, but are not limited or earmarked for support of municipal transit systems or even for roads and streets.)

TRENDS & REVENUES:

In 1974-75, DMV has estimated that the Bay Area contained 2.6 million automobiles, plus 1 million other vehicles (commercial trucks, trailers, and motorcycles). Considering the full impact of inflation on auto ownership and operating costs, it is unlikely that future growth in registrations will be as rapid as has been recently experienced. The Bay Area rate of increase (deemed to be higher than the Statewide rate) is estimated to average 2.8% annually through 1979-80, with a further decline to 2.4% thereafter. Growth rates for all other vehicles in the Region are set at 3.2% and 2.75% for equivalent time periods. Considerable variation in growth rates will continue to be experienced between urban (below average) and ex-urban (above average) counties. Accepting these assumptions, a \$10 increase in annual automobile registration fees only, imposed either as a flat \$10 per automobile charge or as an average increase of \$10 – based on characteristics of the individual automobile (i.e., fuel consumption, weight, etc.) – could generate \$300 million in ten years. The same flat or average increase on registration fees for all vehicles could raise \$429 million over ten years.

With respect to in-lieu fees, the automobile values should increase over this same period. An annual value increment of 5% is projected, remaining on the conservative side of taxable sales growth assumptions (6.5 to 10%) of which automobiles are an element. On the basis of this assumption, a 1% increase in in-lieu fees for all vehicles could generate \$494 million in the Bay Area over ten years.

ANNUAL REVENUE FLOW



KEY:
 --- ALL VEHICLES, 3.2-2.75% VARYING ANNUAL GROWTH RATE
 — AUTOS ONLY, 2.8-2.4% VARYING ANNUAL GROWTH RATE
 (SEE TEXT FOR BOTH)

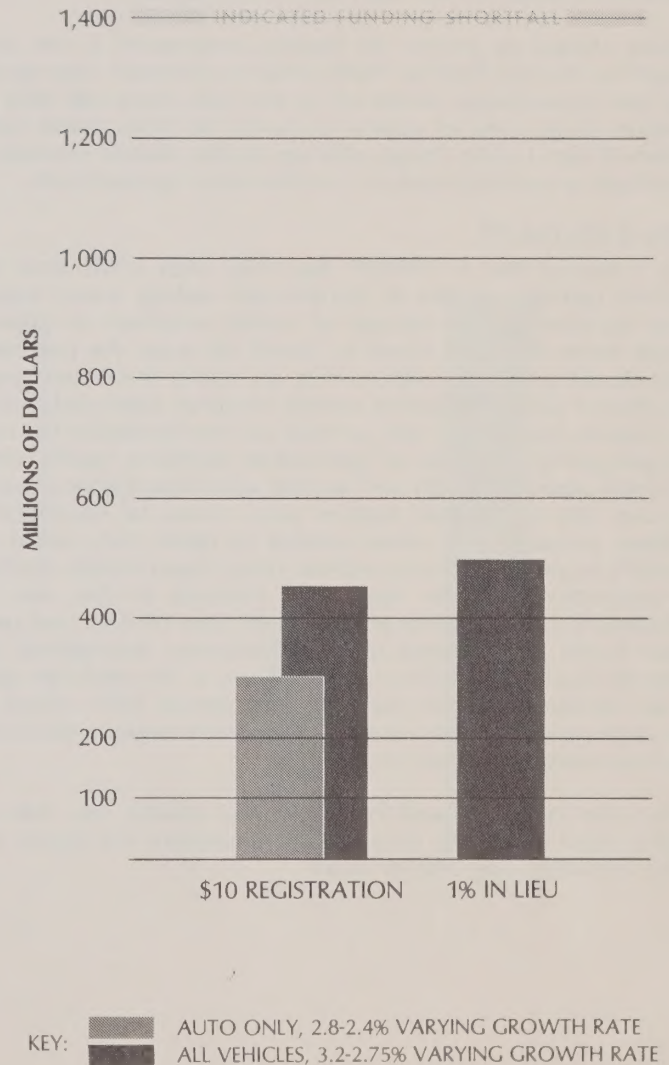
REVENUES
(\$ MILLIONS)

RATES \ YRS.	1st	5th	10th	10-YR. TOTAL
\$10 (AUTOS)	\$27	\$30	\$33	\$300
\$10 (ALL VEHS.)	\$37	\$42	\$49	\$429
1% (ALL VEHS.)	\$39	\$48	\$61	\$494

EVALUATION:

Vehicle charges are moderately high in revenue productivity, as demonstrated above. An average registration fee increase of \$10 would yield more than a 1¢ per gallon gasoline tax, whereas a 1% increase in in-lieu fees for all vehicles could raise as much revenue as a 25¢ regional property tax or a 3% gasoline sales tax. Either form of vehicle charge would also be well-suited in terms of minimizing administrative changes to existing tax programs. Only gasoline taxes are more directly transportation-related. Vehicle charges will place cost burdens on personal transportation, but will not be as strong a deterrent as the gasoline tax. Vehicle charge could nonetheless discourage investment in personal transportation, particularly the second car, thus supporting related planning goals. The economic responsiveness of vehicle charges as a revenue producer is not good, especially for the registration fee concept. In-lieu charges would be somewhat better in that they reflect escalating market values. Equitability features of vehicle charges also vary. Generally speaking, any registration fee increase, either flat or based on parameters other than value, would be significantly inequitable to lower income groups. An increased in-lieu fee based on vehicle value would be more favorable in this respect. The political viability of vehicle charge revenues for transit is relatively positive. Legislative proposals in this area are already pending. Its "low profile" together with the fact that it represents an already existing tax are also favorable. Powerful interest groups will challenge its appropriateness as a transit subsidy source though, and the public itself may react negatively in the context of prevailing economic pressures. Also, the vehicle registration surcharge may not be applicable as a source of "earmarked" transit funds without constitutional changes. Other vehicle charges are also somewhat inflexible because of road and street restrictions, plus relatively small amounts of diverted funds to transit.

10 - YEAR REVENUE TOTALS



PARKING CHARGES

DESCRIPTION:

A regionally-imposed tax on paid parking, either in the form of a rate charged per hour per space (10¢ and 25¢) or in the form of an overall percentage rate increase (10%) was evaluated.

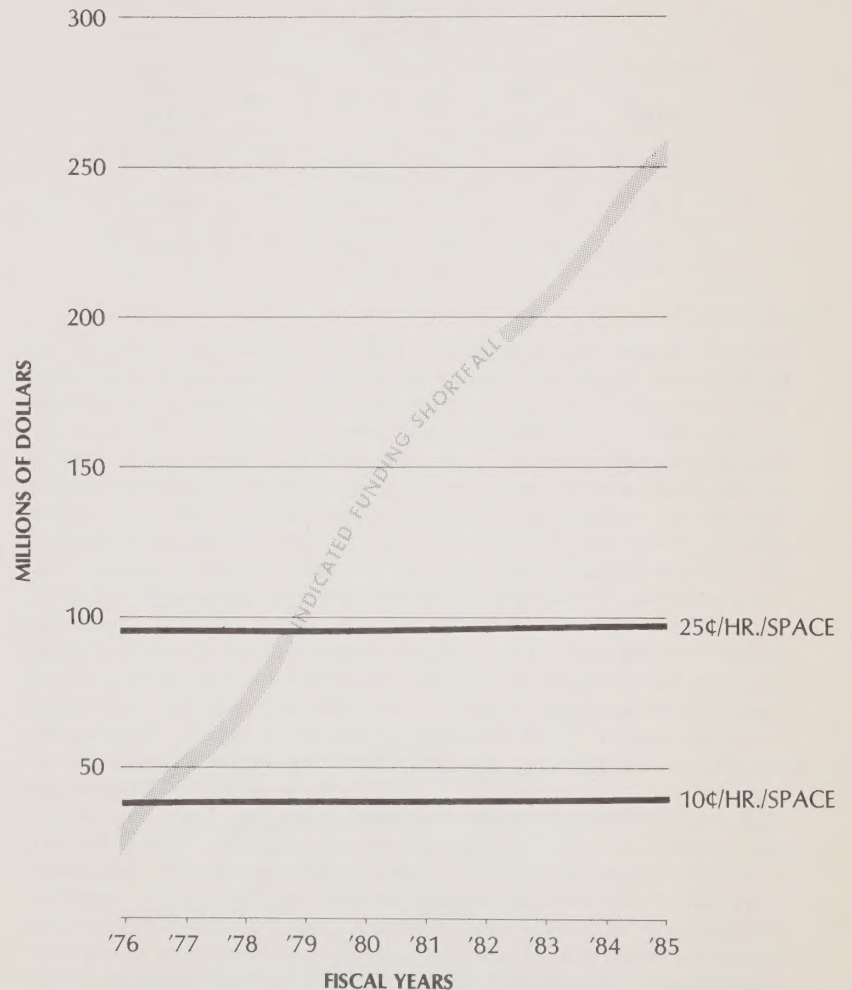
Parking charges at present are heavily concentrated in the private sector for off-street facilities. Public sector involvement while growing, has been concentrated exclusively at the local (municipal) level with revenues being used for general purposes. No direct transit support is derived from parking charges, although locally-collected revenues may contribute to municipal systems as an element of general funds.

TRENDS & REVENUES:

It is estimated that in 1974-75, Bay Area cities could draw on a regional parking inventory of 210,000 paid parking spaces, including some on-street spaces. Because of current emphasis on improving transit, rather than auto access to central city areas, the paid parking base should grow very slightly, if at all, during the 10-year period. Suburban or peripheral parking centers for transit riders could increase the revenue sources, but their potential was not included in this report. The geographic distribution of paid parking facilities is heavily oriented to central urban areas, with San Francisco and Oakland alone accounting for over 50% of the total regional pool. It may be concluded that if these revenues were made available to transit, they would most probably support central area systems. Using impact models developed in conjunction with the recent EPA initiatives in this area, it is estimated that a 10¢ surcharge levied each hour on each paid parking space in the Region (using specified occupancy assumptions) could generate nearly \$380 million over ten years; a 25¢ surcharge applied in an equivalent fashion could produce almost \$950 million over the same period. (Neither estimate incorporates negative elasticities in demand resulting from rate increases.)

It has also been estimated from other less reliable data that a flat 10% increase in parking rates charged throughout the Region could yield only \$20 million over ten years.

ANNUAL REVENUE FLOW



KEY: ASSUMES 0% GROWTH RATE IN BASE

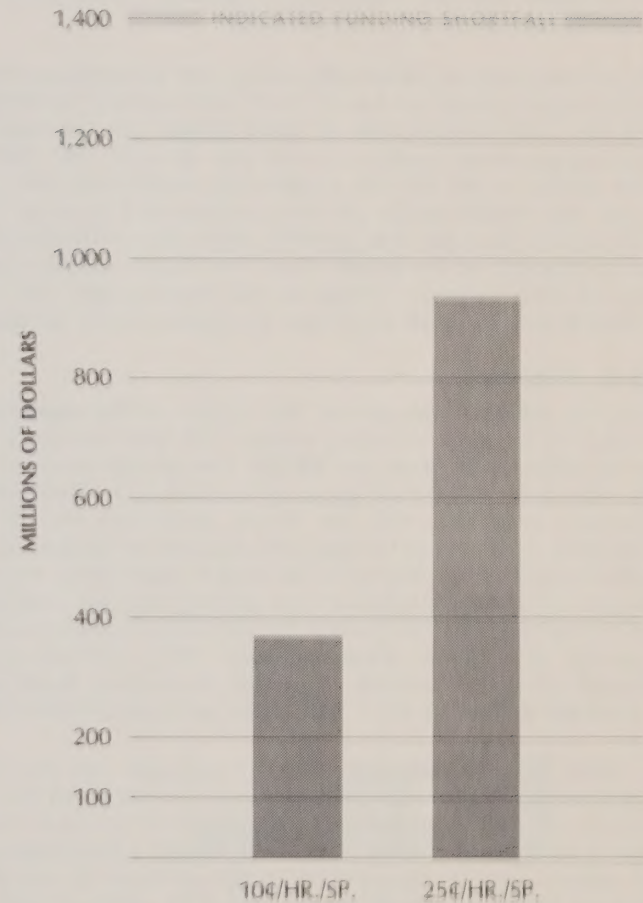
REVENUES
(\$ MILLIONS)

RATES \ YRS.	1st	5th	10th	10-YR. TOTAL
10¢ HR/SP.	\$38	\$38	\$38	\$380
25¢ HR/SP.	\$95	\$95	\$95	\$950
10% RATE INCR.	\$2	\$2	\$2	\$20

EVALUATION:

Social equitability of parking charges is mixed. Any flat surcharge is clearly regressive, while a one-time percentage increase is also regressive. Off-street parking taxes would somewhat increase equitability by impacting a higher proportion of "choice" users. Revenue productivity varies widely with the assumptions, but high surcharge rates could generate as much as more broad based taxes (again neglecting negative elasticity and changes in parking behavior). Although relatively stable, parking charges would not be economically responsive given projections of zero growth over the 10-year period. The most positive aspects of this source are its transportation and planning relatedness. Although less so than a fuel tax or a vehicle charge, parking charges do impinge on the transportation sector itself and would serve to discourage an important element of personal automobile use. The particular trip element affected also has the greatest potential for modal shift, since affected trips are oriented to CBD's which are relatively well served by transit. The political viability issue, on the other hand, is the most negative. Attempts both locally and nationally to implement similar programs have been fruitless. The private sector is likely to be especially vehement in its opposition, as are local municipalities who consider this source to be their own. And although many citizens would feel that such a tax would not directly impact them, a commuter lobby could be effectively launched to voice its opposition.

10 - YEAR REVENUE TOTALS



BRIDGE TOLLS

DESCRIPTION:

Excess toll revenues generated by six Bay Area bridges operated under the California Toll Bridge Authority (excluding the Golden Gate Bridge) were evaluated. Also the implications of initiating a toll surcharge (10¢, 25¢ and 50¢ per round trip) were examined.

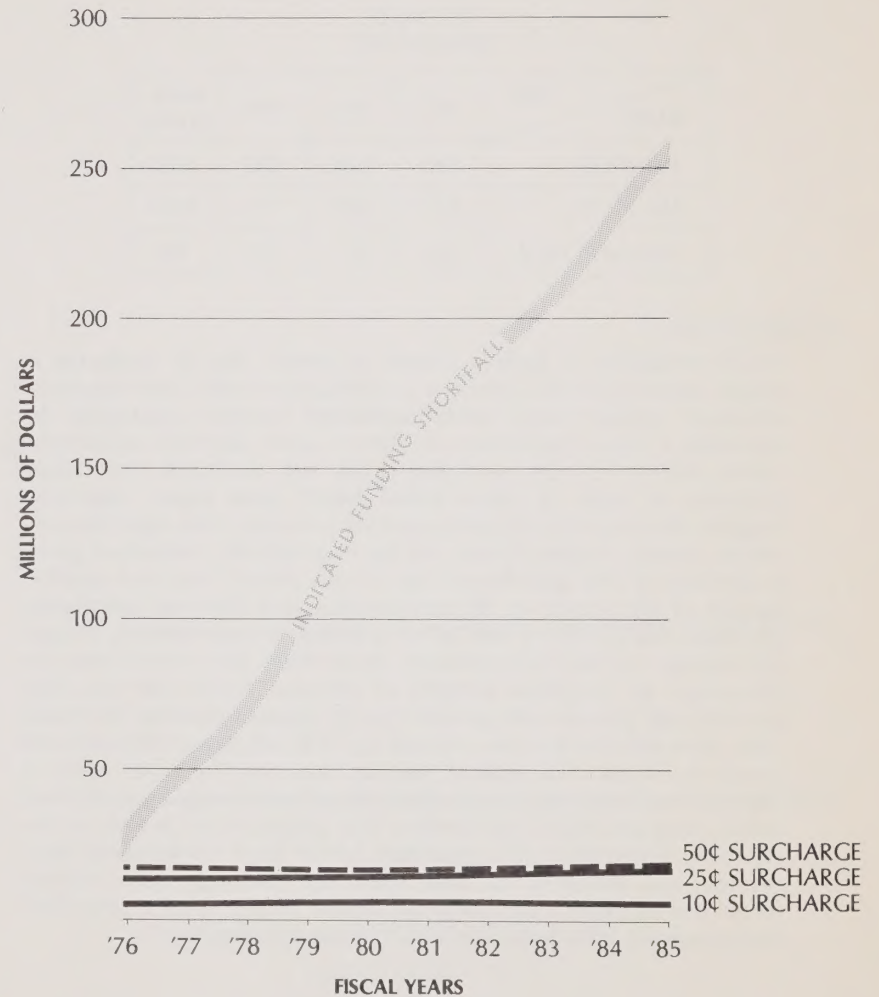
Only the San Francisco-Oakland Bay Bridge, San Mateo-Hayward Bridge and Dumbarton Bridge are free of prior bond payment commitments at present. Toll revenues from all other bridges are fully committed to construction bond repayment, and shall be until after 1980. The recent passage of AB 664 has conditionally empowered MTC to set toll rates and allocate surplus toll revenues generated for all six bridges. For all practical purposes, this capability exists only for the bridges free of debt obligation at the present time. Prior transit support from this source has been derived in relation to one major project: \$180 million was secured from the three Bay Bridges to construct BART's transbay tube.

TRENDS & REVENUES:

In 1975-76, CalTrans projects that 58.2 million vehicle **round trips** (or toll trips) will be made on all six bridges, with over two-thirds of this total occurring on the three Bay Bridges. Past growth trends in bridge traffic have been substantial, generally paralleling the proliferation of automobile ownership and use. Future projections are far more conservative, however, in keeping with estimates of bridge capacities as well as a general levelling off in automobile dependency. Projections of surplus toll revenues resulting from existing rates are exceptionally difficult to determine at the present time due to the pending resolution of several key priority issues between MTC, CalTrans and the California Toll Bridge Authority. Maximum net revenue available from the three Bay Bridges for 1975-76 has been estimated at \$8.9 million.

The results of a toll **surcharge** were also evaluated and the revenue productivity plotted for alternative amounts. It is projected that a 10¢ surcharge per round trip on all six bridges would produce over \$60 million in ten years; a 25¢ surcharge on all bridges would produce over \$150 million over that same period. (A 50¢ surcharge on just the San Francisco-Oakland Bay Bridge would yield \$165 million in ten years.) No assumptions regarding negative demand elasticities are incorporated in these estimates.

ANNUAL REVENUE FLOW



KEY: — ROUND-TRIP SURCHARGE ON ALL BTC BRIDGES IN REGION
 - - - ROUND-TRIP SURCHARGE ON S.F.-OAKLAND BAY BRIDGE ONLY

REVENUES
(\$ MILLIONS)

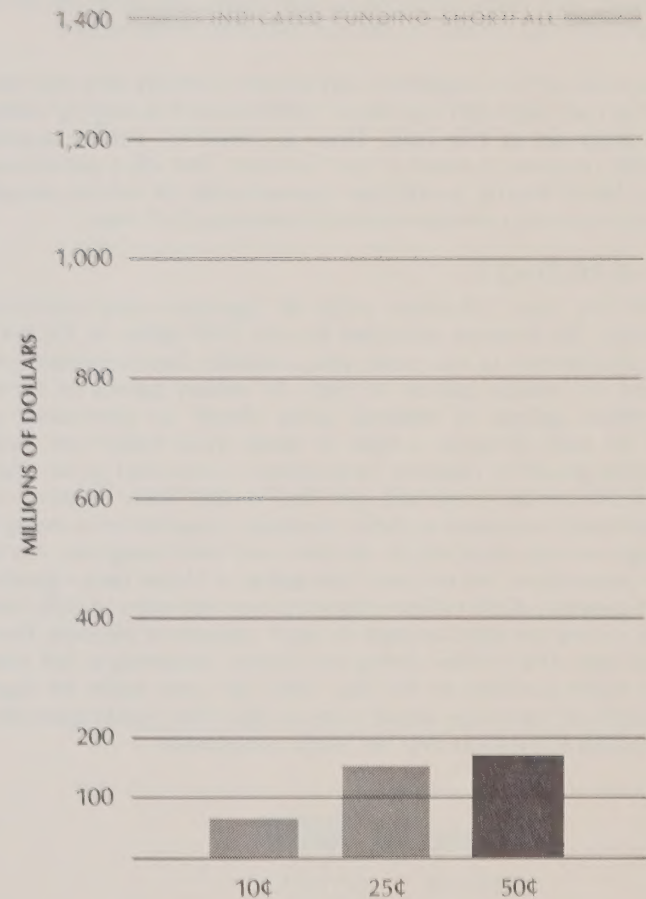
RATES \ YRS.	1st	5th	10th	10-YR. TOTAL
10¢ SURCHG.	\$6	\$6	\$7	\$62
25¢ SURCHG.	\$15	\$15	\$16	\$154
50¢ SURCHG.*	\$16	\$16	\$17	\$165

*SF-O BAY BRIDGE ONLY.

EVALUATION:

Any flat toll rate ignores the user's ability to pay, but most bridge users may be assumed to be employed or at least choice users. The use of toll revenues, especially if applied to transit improvements benefiting that corridor, directly or indirectly benefit those who pay. Revenue productivity is not large, overall, but if applied to specific corridors may be quite effective. Uncertainty regarding availability of funds under the provisions of AB 664 may necessitate the eventual adoption of toll surcharges if revenue flows are to be stabilized and predictable. In that sense, economic responsiveness is only fair, since a very small growth component is assumed in the traffic base. Toll revenues are directly transportation-related, but apply to an even more limited element of total travel than do parking charges. Those transportation elements impacted are, however, a critical area where the potential for modal shift is great and transit alternatives are either available or could readily be initiated using these funds. Through encouraging a more balanced modal usage in particularly congested segments of the region's transportation system (especially those leading into and between major urban centers), toll revenues would effectively support adopted planning goals for the Region. Administrative suitability is especially good due to established collection machinery and an allocation mechanism which lends itself well to regional discretion. Politically, the source may be assumed strong, as witness the successful passage of AB 664.

10 - YEAR REVENUE TOTALS



KEY: ROUND-TRIP SURCHARGE ON S.F.-OAKLAND BAY BRIDGE ONLY
 ROUND-TRIP SURCHARGE ON ALL BTC BRIDGES IN REGION

EXCISE TAX

DESCRIPTION:

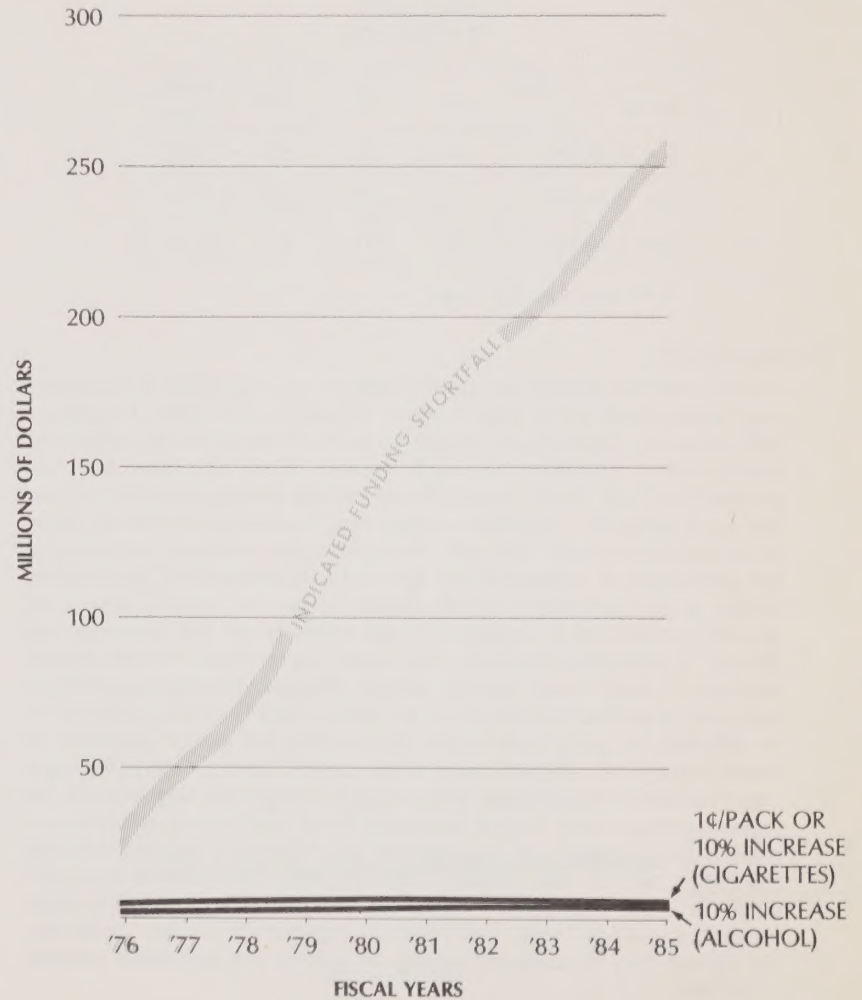
Potential revenues for transit support, through an incremental excise tax on cigarettes (1¢ or 10% per pack) and alcoholic beverages (10% rate increase), have been estimated for the region. An excise tax on utility charges was also considered but not evaluated in this report.

Excise taxes on both cigarettes and alcohol currently flow into general funds at both State and local level. Neither source is used for transportation purposes at this time. There is, however, limited application of utility revenues to transit in San Francisco. That city's publicly-owned utility, Hetch Hetchy, contributes approximately \$4 million annually to the maintenance, operation and improvement of S.F. Muni.

TRENDS & REVENUES:

In 1973-74, over 2.8 billion packs of cigarettes were consumed in California. Tax revenues amounted to over \$250 million at 10¢ per pack with adjustments. In that same year, alcoholic beverage consumption totaled 431 million gallons of beer, 74 million gallons of wine and 50 million gallons of distilled spirits. Based on alternative taxing rates for each category, a total of nearly \$120 million was realized. Whereas growth in cigarette consumption is expected to be relatively low (1.5% annual projected) and has in fact been negative during several years, increased alcoholic beverage consumption is strong (8.7% average annual), especially in the beer and wine categories. Accepting these assumptions for ten year forecasting, a 1¢ per pack cigarette tax could generate \$280 million statewide over ten years; a 10% increase in the varying tax rates assessed on each category of alcoholic beverage would raise \$150 million during that period. Assuming a 20% share of these totals accruing to the Bay Area, ten year totals for cigarette and alcoholic beverage excise taxes as described would generate \$56 million and \$30 million over ten years, respectively.

ANNUAL REVENUE FLOW



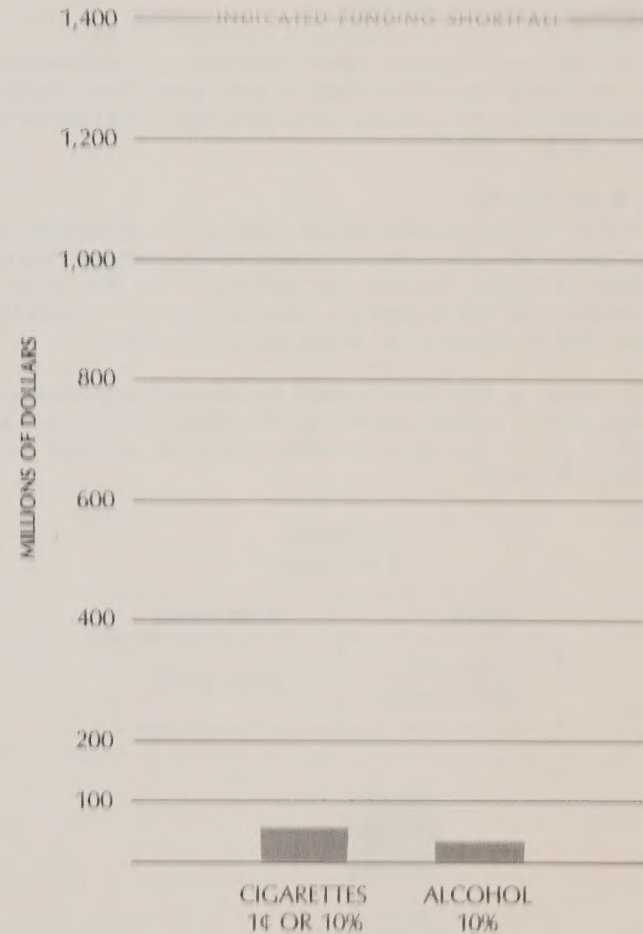
REVENUES
(\$ MILLIONS)

RATES \ YRS.	1st	5th	10th	10-YR. TOTAL
1¢ (or 10%) per pack cigarettes	\$5	\$6	\$6	\$56
10% rate incr. alcohol	\$2	\$3	\$4	\$30

EVALUATION:

Cigarettes and liquor have historically been considered "luxuries", with consumption by "choice". Taxes on these items are nevertheless theoretically regressive in that they do not recognize ability to pay. Revenue productivity is very low - in fact, the lowest of all sources measured in this report. Excise taxes on these commodities would not respond well to economic pressures, nor are they at all transportation or plan-related. Although the machinery already exists for their collection and distribution, allocation procedures presently used for excise tax revenues would not allow adequate inter-county funding capability, especially for those revenues collected on cigarettes. Political viability is generally negative. While many citizens might feel that an excise tax would not impinge upon them directly, pressures from industry lobbyists as well as interest groups representing needs more directly related to these two commodities (e.g., cancer research) would be powerful opposition forces.

10 - YEAR REVENUE TOTALS



TIDELANDS OIL REVENUES

DESCRIPTION:

The possibility of diverting revenues from state-collected royalties and bonuses on oil, gas and other minerals taken from State-owned lands was evaluated on a regional basis.

Presently, this source supports higher education, water and water quality needs, the Central Valley Project and the state general fund. No revenues are allocated for transit purposes, and a bill to fund transit demonstration projects failed in 1973-74.

TRENDS & REVENUES:

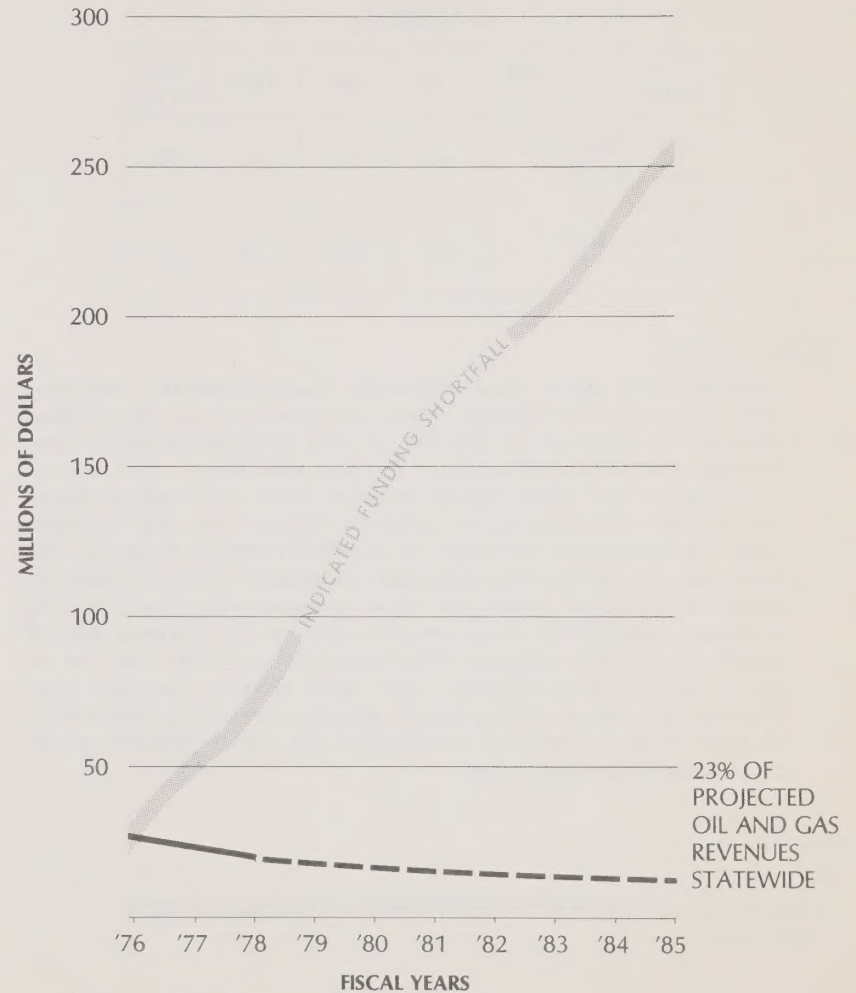
In 1973-74, total statewide revenues collected exceeded \$120 million. Capital outlays for higher education consumed approximately \$86 million. Estimates of future revenues are considered by the State Lands Commission to be highly uncertain, but total revenues through 1977-78 are expected to decline to an annual rate of \$87 million.

If \$30 million to \$60 million could be diverted to transit and the Bay Area were to receive \$7 million to \$14 million (based on population), a total of \$70 million to \$140 million could be expected over the 10-year study period.

REVENUES
(\$ MILLIONS)

SOURCE	10-YR. TOTAL
TIDELANDS OIL REVENUES	\$70 to \$140

ANNUAL REVENUE FLOW

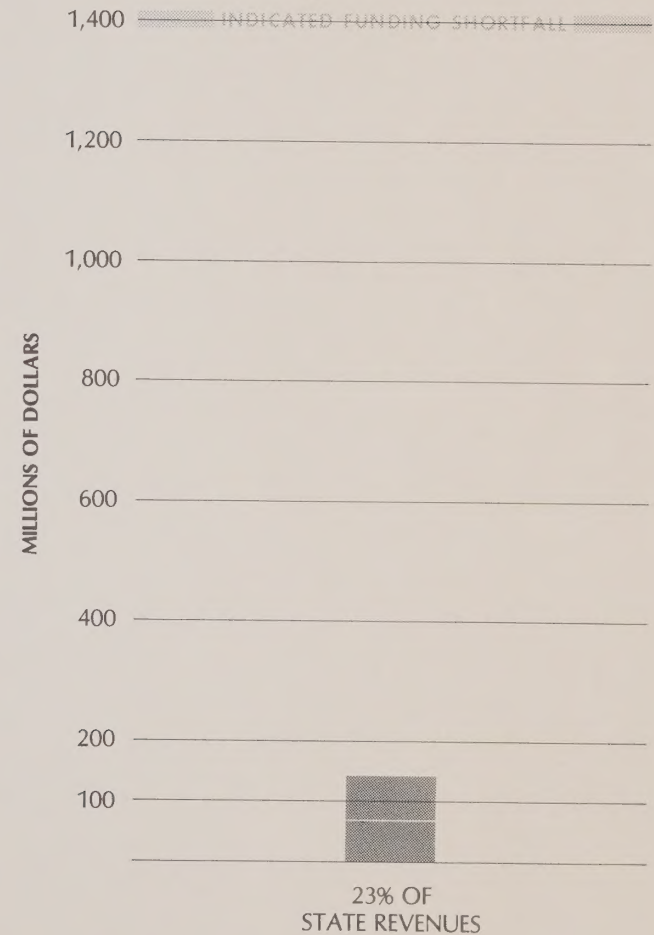


KEY: — STATE LANDS COMMISSION PROJECTION
- - - LE BLANC AND CO. PROJECTION

EVALUATION:

Diversion of tideland oil revenues would not be a direct tax increase but presumably sources now receiving such funds would have to seek additional revenue elsewhere -- probably through the state general fund. Equitability will depend on these indirect consequences. Revenue productivity, even under optimistic assumptions, is relatively low. If increased charges as well as a diversion to transit were imposed, the net effect would be an increase in fuel costs with some slight impact on subsequent auto transportation and related energy use. However, political acceptability is considered low, given the existing claims to the revenue source.

10 - YEAR REVENUE TOTALS



NOTES:

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